

# The COMMERCIAL and FINANCIAL CHRONICLE

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## Britain's Crisis

By SIR STAFFORD CRIPPS\*  
Chancellor of the Exchequer

Chancellor of Exchequer reveals 3-month "standstill" on dollar imports, following drastic reduction in Sterling Area's gold and dollar reserves to \$1,624,000,000. To overcome fundamental trouble of export drop, sees necessity of lower prices, but disclaims desire to cut wages. Insists Britain "has not the slightest intention" to devalue.

LONDON, July 6—The usual quarterly statement on the balance of payments and its effect on our reserves of gold and dollars is now due and figures are being published today. For reasons of which the House will be aware and to which I have referred more than once in recent weeks it is

desirable for me to make a short explanation of the facts set out.

During recent months there has been a decline of business activity in many parts of the world. Instead of a sellers' market we now have a buyers' market. As we all know, the most difficult prob-

(Continued on page 42)

\*Statement of Sir Stafford Cripps to the House of Commons, July 6, 1949.



Sir Stafford Cripps

## How Far Can Depression Go?

By GARFIELD V. COX\*

Dean of School of Business, Chicago University  
Chairman of the Board, South East National Bank, Chicago

Prominent business educator holds depression will continue, but contraction is not expected to be prolonged or serious, and will be largely offset by heavy government expenditure. Says there is still big latent demand for housing and durable goods which can be tapped at lower price levels, and rate of consumer spending, in relation to cash holdings, is not high. Contends transition from seller's to buyer's market has been largely accomplished without severe adjustments. Concludes a total business decline of 17%, accompanied by 15% lowering of wholesale prices.

Our interest today is in what lies ahead. Concerning this the evidence accumulates that the business slump now under way is of significant proportions. The chances now appear greater than ever that it will continue irregularly through the rest of 1949. The chief



Garfield V. Cox

cause of the decline seems to be that three years of record peace-time production have satisfied the more urgent accumulated demands. In one field after another supply has overtaken the amount demanded at recent high prices.

The approach of buyers' markets has been clearly foreshadowed by the behavior of national income and expenditure data provided by the Department of Commerce. For every dollar by which disposable personal income in 1945 increased over that of 1944 consumers' expenditures rose by \$3. Families reduced their rate

(Continued on page 26)

\*An address before a Conference conducted by Chicago University for the National Restaurant Association, Chicago, Ill., June 20, 1949.

## The Iron Curtain of Money

By DR. WILHELM ROPKE

Professor, Graduate Institute of International Studies (Geneva)

Terming Exchange Control a modernistic national concentration camp for money, Dr. Ropke maintains it is coeval with modern police state, incompatible with orderly economic life, and retained by exaggerating the disadvantages of its abolition. Asserts accompanying internal collectivism and international bilateralism are indispensable to it. Declares common sense demands adjustment of exchange rates to the national price levels, with international aim being scrapping of controls rather than devaluation.

With the exception of the United States, Switzerland and a few of the other countries of little importance, all governments of the world today have put money into that sort of national concentration camp which is familiar as Exchange Control. People have become

so rapidly and so thoroughly accustomed to this system of international monetary relations that the first thing one ought to stress is its almost incredible novelty in modern times. It made its first appearance in Bolshevik Russia after the revolution of 1917, but when it was tried in western non-totalitarian countries after the first World War its inefficaciousness was notorious, so that its disappearance in the early '20s was hardly noticed any more. What Ricardo had intimated more than 100 years before in his study "The High Price of Bullion" still

(Continued on page 38)



Wilhelm Ropke

## EDITORIAL

### As We See It

#### Shades of Bagehot, Glass and Willis!

With what disgust these distinguished students of central banking would view the conduct of the affairs of the Federal Reserve System during the past year! How incredible it would have appeared to them that such childish conduct and concepts could gain and hold credence in presumably well-informed circles! How deeply they would have deplored the degree in which the central banks of the world have today become little more than servants (we had almost said office boys) of the political regimes of the world!

It would almost seem that some sort of ghastly jest must lie hidden in the most recent pronouncement of the Open Market Committee of the Federal Reserve System. "The needs of commerce, business and agriculture" are to be the guiding stars of the so-called open market policy of the System from this time forward! Indeed! What, pray, are we to suppose have been the guides in the past? Or, rather what would the authorities have us think those guides have been? And, what does the law require that those guides be? These are easy questions, and in one sense the answers are easy

(Continued on page 30)

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# Handicaps of European Economic Union

By DR. M. A. G. HARTHOORN, Amsterdam, Holland  
Former Professor of Economics, University of Indonesia

Dutch economist points out though it is generally agreed unrestricted exchange of goods and services among European countries is required for return of general prosperity, the fear of adverse payments by individual nations leads them to impose exchange controls as well as tariffs and other trade barriers. Opposes allocating Marshall Plan aid to individual nations, and urges use of general fund or a Joint European Bank to disburse American aid as needed to balance intra-European payments.

Europe, were it a closely knitted unity, could with its wealth of fertile soil, an abundance of miscellaneous minerals, coupled with a highly intellectually developed and industrious people, form a mighty economic power. That this is unfortunately not possible must

be attributed to the fact of it being divided into many small and larger sovereign States which impedes the free exchange of goods. Already before the second World War high tariff walls, to prevent the unconstrained flow of goods and capital, were erected at every frontier. After the war these barriers have become even higher, for which valid reasons can undoubtedly be ascribed.

They are all founded on the fact that through the destruction wrought by the war the need for consumer goods in those countries has risen to such prodigious heights, that with the exception of only very few nothing was left to export and that tremendous quantities had to be imported to replenish the universal shortages. Had countries like the United States, Great Britain, Canada and Sweden, which had the good fortune to be spared the affliction of an occupation by the enemy, not then generously and lavishly made a free gift of such goods needed to fill immediate and essential wants, the distress in the countries so sorely stricken by the war would have been beyond description and might have brought grave dangers of revolutionary disturbances in its wake.

That this could have been prevented, is above all undoubtedly due to the magnanimous and princely aid of America, a help which even now has not yet ceased to flow and in the form of Marshall Aid, so-called after its spiritual father, still serves afflicted Europe. It is thanks to this aid that Europe has to a great extent been able to recover and in general bring production to prewar level.

Although everyone will agree that general prosperity in Europe can only be benefited by an unrestricted exchange of goods and services, the frontiers between European countries, nevertheless, are and remain closed to free and untrammelled traffic. Many countries once again can—and do not ask for anything better than to—export their surplus goods, but how can one expect other countries to absorb such exports when we ourselves close our frontiers to foreign imports? As imports can but be paid for by exports, and vice versa, we must, in order to be able to export freely, start to admit imports and that as unrestrictedly as may be possible. This surely will not be denied by any-

body but how can it then be explained that all sorts of obstacles are put in the way of a free flow of goods.

It is feared that free enterprise will result in excessive imports against exports and thus disturb the balance of payments. The question raised is where to get the means to cover this deficit. It is an accepted fact that imports can easiest be paid for by exports. Formerly, adverse balances could be paid from the gold reserves or from foreign investments which could easily be converted into foreign exchange, but such reserves are now exhausted. Formerly, countries could cover their excess imports because other countries with larger exports were prepared, in order to maintain or stimulate such exports to grant long- or short-term credits, but which European country is now in a position to give credit to others?

Is it then not possible without these reserves and without these credits to bring about a balance between exports and imports through a free exchange of goods? Indeed this is possible. It should be remembered that through an effective credit policy of disinflation or deflation, which reduces the oversupply of currency, such pressure can be brought to bear on prices that goods can be offered cheaper to foreign buyers with the result that exports will show a tendency to climb, whilst imports will show an inclination to drop because money in the country has become tighter. The drawback is, however, that this expedient is not effective on short-term. There is still yet another way which is more effective and which does even on short-term makes its influence felt, i.e. devaluation, whereby the exchange ratio in favor of foreign countries is changed, so that exports are automatically encouraged and imports kept in check. A government only reluctantly decides on devaluation of its currency. It is, nevertheless, often the only way to put the economy of a country on a healthy basis and to open the way to a free exchange of goods and thus to greater prosperity.

I reiterate that fear of payment difficulties refrains the European countries from opening their frontiers. Is it not possible that this fear is somewhat exaggerated? Would there not be good cause to

believe that were the European countries to decide to establish a mutual free exchange of goods they would on balance not export much more or less to each other than import from each other? In so far as differences would exist, they could be neutralized by the above cited means, and so the convertibility of the one currency into the other would be assured and a possibility of multilateral trade would be at the same time created.

It is true that the fact should be taken into account that European countries not only trade among themselves but next to this also stand in close economic relations with countries outside of Europe. This would prove to be an advantage to a Europe united as one great free trade entity as it would stimulate an exchange of goods and thus enable many European countries to balance their financial commitments which would not be as easy were they solely dependent on intra-European traffic.

Although many will agree with me that a free exchange of goods can only be of advantage to the prosperity of Europe as a whole and to each of its countries in particular, nothing seems to happen which points to a breaking of the chains which now shackle the free flow of traffic. I leave those countries behind the iron curtain out of consideration as they can not be brought to joint action with the others but have only in mind the 17 countries concerned with the Marshall plan. No matter how often America has insisted that the aid in the first place must serve to promote co-operation between the 17 countries, especially in the sense that mutual exchange of goods must be made freer, in order to enable those countries to obtain more goods from each other, as otherwise they will not be able to stand on their own feet even after 1951-52, the last year which holds out a prospect of Marshall aid, we see no lessening either of trade barriers or traffic obstacles.

European traffic only progresses laboriously. To prevent trade dying completely of inanition, each country concluded a bilateral trade agreement with the other, in which exact calculations are made as to the value of the goods they can obtain from each other and wherein the equilibrium of the financial obligations involved is as far as possible maintained. Apart from this, since October, 1948 part of the (Continued on page 32)

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## Converting Inflation to Deflation—Can It Be Done?

By DR. IVAN WRIGHT

Dr. Wright explains monetary processes by means of which currency becomes inflated. Says it is not fault of gold that governments have inflated their currencies, and points out weakness of inconvertible paper currency is human inability to determine quantity needed. Foresees many years to complete all stages of reversion from inflation to deflation.

In the United States the Secretary of the Treasury is ordered by a law of March 14, 1900, to keep all kinds of United States money on a par with all other kinds. When the requirements of this law are met the technical differences as to the legal tender qualities seem



Dr. Ivan Wright

to have no practical merit. From 1879 to April 1933 all forms of American currency were exchangeable for gold dollars as defined by the Congress of the United States. Since April 1933 all debts have been payable in the lawful currency of the country. This lawful currency includes all the currencies. The Federal Reserve note, the national bank note, the silver certificates, and the greenbacks make up most of the circulating medium. These monies all pass to pay debts at the same price. But no one knows whether gold and gold certificates, if allowed to circulate, would sell at a premium in other legal monies. But gold remains the primary cash of the country and the Treasury buys gold at \$35 an ounce, and sells gold at this price for foreign Exchange purposes. All other forms of money are mere substitutes. Gold is the cash money of the country even though it is not allowed to circulate.

## Gold and Money

In any money system that modern civilization has devised the gold reserve is a small percentage of the total circulating medium, a lesser percentage of bank deposits, and a far less percentage of the volume of monetary transactions. This small percentage of gold reserve in relation to the vast volume of monetary transactions has led many people not thoroughly familiar with the finely balanced mechanism of monetary clearings to believe that the supply of gold was not large enough to serve the needs of monetary reserves. A primary function of gold in a monetary system is the measurement of the value of substitute money and credit transactions, and to settle the differences where currency and credit clearings do not balance. In domestic transactions the clearings of the Federal Reserve System amount to billions and yet only a few thousand dollars in gold transferred from the account of one Federal Reserve Bank to that of another at the Federal Reserve Board serve to balance accounts daily after checks have been cleared. In foreign transactions when the total

international trade clearings exceeded fifty billions a year back in the 20's, only a few million

"Cash primarily means gold, for the law lays down that gold coins issued by the Mint and of true weight are legal tender for the payment of any amount."

"Next, cash includes Bank of England notes, for they were made legal tender in 1835."

"From 1914 to 1928, cash included currency notes, for they were made legal tender in 1914. In 1928 they were absorbed into the Bank of England note issue, as described on a subsequent page."

"Finally and of lesser importance, cash means silver and bronze coins for very limited sums; these being for silver 40 shillings, and for bronze one shilling."

"Credit instruments include cheques, bills, drafts and all similar documents. They are in no case legal tender—i.e., a debtor cannot force a creditor to accept them—and they are only acceptable if the creditor believes that if he so desires he can exchange them for cash."

—The A. B. C. of Foreign Exchange by George Clare and Norman Crump.

dollars worth of gold was shipped to settle balances that could not otherwise be settled by the multilateral exchange transactions between countries. If the gold supply was large enough to settle for cash all money and money and credit transactions and substitute forms of money and credit transactions were dispensed with, gold would probably not have the value necessary to serve as money. Substitute monies and the convenience of credit transactions provide a system of greater efficiency than could possibly be devised if all transactions were for cash and carry payments with metal. In this convenient system gold is the arch and the measure of money values and prices.

The gold reserves in money systems have differed widely. In England and the British Empire countries the gold reserve held has been left to the judgment of the bankers who are obligated to meet their demands. In Germany and the United States, and most other countries following their lead in monetary systems fixed reserve requirements developed. But regardless of the reserve re-

(Continued on page 31)

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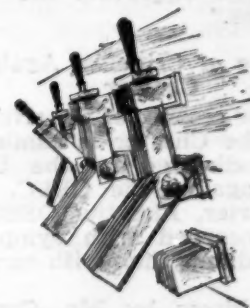
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## ITO Charter—Surrender of American Principles

By PHILIP CORTNEY\*  
President, Coty Inc.

Mr. Cortney presents his criticisms of the International Trade Organization Charter and calls it "a bad and intellectually dishonest document." Says Charter will restrict rather than promote international trade, and will lead to discrimination against U. S. while preventing retaliation. Denies Charter will help Great Britain balance its foreign accounts, and attacks nationalistic planning. Concludes ITO Charter will undermine main purposes of International Monetary Fund.

In the last few weeks I have begun to have the impression that the ITO issue is a "dead duck." The proponents of the ITO Charter have contended that the proposed new organization is to be set up in order to continue the good work accomplished by the Marshall Plan, but apparently something went wrong with the timetable.

The U. S. Council of the International Chamber of Commerce has recently issued a report on international economic affairs which bears the title "The Specter of 1953." While the report praises with emphasis the work done by the ECA in the first year of its operation, it expresses concern about the OEEC program during the coming three years when basic arguments must supplant temporary expedients. On page 9 of the report of the U. S. Council one can read the following remarks:

"... OEEC members have been so involved in the solution of their immediate difficulties that inadequate consideration has been given to the more fundamental but longer range questions of post-ECA Europe. The nationalistic orientation of some of its members, the disregard for the effects of their policies on others, the conflict between those who seek solution in restriction and controls and those who favor expansion and multilateralism, the frequent unwillingness to sacrifice narrower national interests, the clash among the currency areas—all these factors, coupled with the urgency of the moment, have prevented the OEEC thus far from getting at the root of the European economic problem.

"The problem, as we see it—and as the Interim Report has shown—will not find its solution in minor concessions and compromises among the several members of OEEC. Nor will it be solved by pretending it does not exist and finding successes in temporary expedients which perpetuate and aggravate the basic differences."

### Essence of Criticism Against Charter

Now the essence of my criticism against the Charter is similar to the one directed by the U. S. Council against the OEEC. The ITO Charter, like the OEEC, is more concerned with symptoms and expedients than with correct-

\*An address by Mr. Cortney before the Rubber Manufacturers' Association, New York City, June 28, 1949.

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ing the fundamentals which should permit the expansion of international trade. There is, however, this difference between the work of the OEEC and the ITO Charter. In the work of the OEEC there was a unity of purpose even if the method of approach is becoming objectionable.

The ITO Charter has not only a wrong method of approach to the problems with which it is concerned, but it is a fundamentally dishonest and hypocritical document. In negotiating and drafting the Charter there was no meeting of minds between the two main trading countries of the world, namely, the United States and Great Britain. While the United States wants expansion and multilateralism in international trade, Great Britain seeks a solution to her problem in restrictions and controls.

I have defined the Charter as an international organization which, for the sake of providing a wrong solution to the British problem, would, in the name of full employment, restrict international trade. Keep in mind that if Great Britain had not her domestic and external economic and monetary difficulties we would have no ITO Charter. We got a bad Charter because we lacked the vision and the statesmanship to approach the difficult British problem in an intelligent and courageous manner. Therefore, as "The Economist" itself said sometime ago regarding the International Monetary Fund, "The British have chosen to find ways and means to be free to make the best of a bad job if a bad job is what has to be faced."

But as I said before, "the chickens have come home to roost sooner than the planners thought, and the time-table has been upset." I think we and Great Britain shall have very soon to face the real issues instead of doing only a patched-up job.

### British Crisis

A British crisis in the autumn seems unavoidable. One can read in the American and British papers the following remarks:

"End of a Honeymoon"—New York "Times" editorial headline, June 26, 1949, referring to a speech by Assistant Secretary of State Willard L. Thorp, continuing, "... now with some measure of world recovery Mr. Thorp sees the revival of old rivalries and conflicts. These show themselves in nationalistic tendencies and in attempts in the bilateral channeling of trade."

"It must be recognized that there is now some conflict be-

tween the American and British points of view"—London "Times" editorial on financial page, June 20th.

"The dilemma is one facet of the conflict between the protected economy which this country tries to preserve and the free multilateral system which the United States desires to create. The conflict is real and seems almost incapable of solution without far-reaching and wholly improbable concessions on both sides." Editorial from London "Times" of June 20, 1949.

"The new five-year British-Argentine trade agreement has brought into the open and dramatized the fundamental conflicts between Washington and London on economic policy"—Whaley-Eaton Letter of June 21, 1949, continuing: "Many responsible officials are coming around to the view that the United Kingdom can never be 'put on its feet' economically to a degree that is politically tenable. Yet it is unthinkable that she be allowed to go under. Within the next year or two both the British and ourselves must make up our minds what it is we intend to do as to our permanent future relationship—a political and economic union of some sort. Neither of us can afford the deterioration in relationships which is bound to come in the wake of bickerings now in being and in sight."

I agree with the Whaley-Eaton conclusion that we shall very soon have to face the real issues squarely. If we do so, one of two things will happen: Either we shall have found a solution to the British problem which will bring back Great Britain to free trade and convertibility of currency, and then she herself will not want the ITO Charter as drafted at Havana; or the necessary wits to solve the problem will prove to be above the capabilities of our and the British statesmen. In this case, it is the United States who will repudiate the Havana Charter. This is the reason why I expressed my feeling that the ITO issue is a "dead duck."

### Reasons for Opposition

The issues raised by the Charter will face us continuously, and it should therefore prove profitable to examine the reasons why I oppose the Charter, much as I am in favor of free trade and international cooperation.

The Havana ITO Charter is a bad and intellectually dishonest document because there was no meeting of minds between the main countries which negotiated the Charter. The United States and England tried to reconcile by words their irreconcilable positions on free trade and free convertibility of currencies. The Charter purports to reconcile the conflict between countries which indulge in socialism and nationalistic planning and seek solutions to their economic problems in restrictions of trade and controls, and countries which favor expansion of international trade and internationalism. The countries which participated in the negotiations for the Charter had not the same objectives notwithstanding the high-sounding ideals expressed at the opening and at the conclusion of the negotiations. The result is a document which

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## Set Your Investments Sights Low!

By ARTHUR STERLING HARPER  
Associated with Ridgway, Newsome & Co.,  
Members New York Stock Exchange

Financial analyst holds investors should aim for a moderate rate of capital growth extending over period of time, instead of seeking quick profits. Counsels acquisition of growth stocks and a system of timing purchases and sales according to a time formula method. Holds peace of mind is a "very real asset to investors."

"If people with either large or small capital would look upon trading in stocks as an attempt to get 12 per cent per annum on their money instead of 50 per cent weekly, they would come out a good deal better in the long run."—Charles H. Dow.

Conditions have changed in many ways since the famous editor of the "Wall Street Journal" wrote that advice to investors back near the turn of the century. Doubtless even the most nimble speculator has long since given up hope that 50% profit a week is within

the realm of possibility, and by the same token Dow himself would probably now consider that a 12% yearly goal has also become too ambitious.

But the principle set forth by the man from whom the Dow Theory takes its name is every bit as applicable today as it was 50 years ago. The investors who are successful in the long run—who consistently make their capital grow without subjecting it to abnormal risks, meanwhile deriving a steady and increasing income from it—are those who do not try to do the impossible. From year to year they set a modest goal for themselves, which they can reasonably expect to achieve. And over the course of an investment lifetime, their results leave little to be desired.

Suppose you could have averaged over the years merely a 5% increase a year in the value of your investment fund. Not each year, you understand, since fluctuating prices are bound to give you more in some years and less in others; but at this average rate over a period of years. Can you guess how the present value of your fund would compare with what it was worth in 1926, or 1935, or 1941?

The answers are easy to compute but, to most people, astounding. Simply by growing at the rate of 5% a year, an investment account would now be worth three times what it was in 1926; twice what it was worth 14 years ago; and would have increased 50% just during the past eight years! A dollar at 5% interest, compounded annually, will grow to \$3.00 in some 22½ years, \$2.00 in about 14 years and \$1.50 in approximately eight years. It is as simple as all that.

To the experienced investor who has found the going difficult and expensive; to the new investor who wishes to profit from the errors of his elders—the best advice one can give is "set your investment sights low." Aim for a modest rate of capital growth, and the law of compound interest will take care of your future.

Let us explore some of the better known methods of investing to see whether an average annual growth of principal at the rate of 5%, in addition to income, is a reasonable long-term expectation. Roughly, there are three types of possible approaches.

### Buy and Hold

One of these might be described as the "buy and hold" school of thought; it is also sometimes referred to as the "common stocks for long-term investment" philosophy, taking its name from the title of a book written by Edgar Lawrence Smith back in 1924. The original idea was that common

stocks of good, well-established corporations, if held for a while, were bound to prove profitable, regardless of when bought, because of the long-term upward growth trend of the country and industry. In the late 1920's this theory was widely held. By a few years after the 1929 crash, however, believers in this particular philosophy had been severely shaken, to say the least, and while the method still has its adherents, most of them have switched to the "growth stock" adaptation which became popular around 1938.

A "growth stock" is an issue which, because the company represented is in a new or growing industry such as airlines, recently-discovered drugs, television, etc., labor saving machinery, is expected to demonstrate a growth trend of its own, whether common stocks in general do so or not. Each bull market should carry it to a higher level than the previous one; each bear market should leave it well above its previous low, while earnings and dividends show steady increases.

This theory continues to have high standing among investors, but its practical application has presented a good many unanticipated difficulties. Selection of "growth stocks" has proved difficult and subject to frequent error, foresight is often premature and hindsight frequently too late. Companies of this type have been particularly vulnerable to wartime tax policies and the impact of economic problems in a war-fearing world. Even though the problems of selection were overcome, and these are not easy to encompass, experience has shown that the element of timing can not be completely ignored. By itself, the "growth stock" approach appears to leave a good deal to be desired.

### Limitations on Forecasting

The second broad class of investment methods is the "timing" or "forecasting" approach, which covers the study of banking and business data to determine trends and the many technical methods devised in attempts to tell in advance when security prices will rise or fall. Suffice it to say here that forecasters in general had fallen to a low estate long before either the recent election or the disclosure that one of the well-known and widely used financial "services" obtained its "advice" from the spirit world through the medium of a comic strip.

Many technical methods and much serious analysis of trends and statistics serve a wide variety of useful purposes, and there is no intention here to discredit their value. But so far there is little available proof that the conservative long-term investor can safely rely on the forecasting of even major market swings to make possible an appreciable growth in his capital.

On the contrary, studies made by the Cowles Commission for Research in Economics of 6,904 stock market forecasts made by 11 leading financial periodicals and serv-

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Arthur S. Harper



Philip Cortney

## The State of Trade and Industry

Steel Production  
Electric Output  
Carloadings  
Retail Trade  
Commodity Price Index  
Food Price Index  
Auto Production  
Business Failures

Total industrial production for the nation as a whole remained steady the past week, but was moderately under the like period a year ago.

Unemployment, according to reports, dipped fractionally, but it continued to exceed last year's level. The rise in employment resulted in part from increased farm activity, the start of canning operations in some sections and the termination of numerous strikes.

"Considering the contraction in most branches of the economy over past months, the performance of the automotive industry is especially outstanding," states the July 4 issue of the "Steel" magazine. "The way it has continued to roll along at peak production in face of deflationary forces which have forced substantial curtailments in most directions, attests to the strong hold of the automobile on the American public.

"This industry, along with steel, has provided major support to the sagging economy since the first of the year. As a matter of fact autos have been the main prop since much of steel's strength has stemmed from auto steel demand. Steelmaking operations, sliding since March, still are headed downward. On the other hand, auto production set a 20-year benchmark in June with an output above 600,000 units, largest monthly total since April, 1929. In the first six months an estimated 3,140,000 cars and trucks were turned out, considerably above predictions at the turn of the year.

"The remarkable thing about this showing is the fact it was achieved despite strikes, slowdowns and other interruptions. Nearly all builders experienced production losses, either through work stoppages in their own plants, or in plants of suppliers.

"Expectations are auto schedules will slacken August and ease further in the fall. However, no one expects the bottom to fall out of car demand. The way is clear, for raw materials now are in comfortable supply, and declining costs may provide sufficient margin to permit price reductions should demand lag to the point where a sales stimulus is needed."

Employment in the construction industry is holding up remarkably well, accompanied by a gradual increase in the productivity of building labor, according to James M. Ashley, President of the Producers' Council.

"Analysis of figures compiled by the Bureau of Labor Statistics shows that 2,010,000 workers were employed in contract construction during May of this year, a gain of 4% over April and a decline of only 2% from the figure for May, 1948," Mr. Ashley said.

"Since total expenditures for new construction during May of this year were only 3% less than in May, 1948, and since the trend in building costs has been slightly downward, it is evident that the physical volume of construction was somewhat greater this year and that the output of the average worker this year has been slightly higher than it was a year ago."

### STEEL OPERATIONS SCHEDULED AT 61.2% OF CAPACITY FOR CURRENT WEEK—LOWEST OUTPUT SINCE DEC. 2, 1946

The steel industry this week is back to "normal" with more than a bang. It is suffering from holiday influences, mass vacations, falling-off in orders and a general "show me" attitude by buyers. Just how much it will recover in the next several weeks remains to be seen. The ingot rate will advance again next week, but the general downtrend is by no means ended, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

Because of holiday and other factors the steel ingot production rate is off 16½ points to 63.5%, the lowest rate in years, barring periods when there were strikes. There is no chance that any real strength will come into the operating rate much, if any, before September, this trade authority notes.

However, the sharp drop in steel activity has its good points as well as its bad ones, the magazine points out, because: (1) Steel has to go through the same stage as other industries; (2) the inflationary heights were by no means normal in any sense; (3) unbalanced inventories must be cut down before any long-term general business level can be set in, and (4) it will put all steel people in the mood to better products, to put more emphasis on selling and stimulate competition.

It was still clear this week that there are no major steel price changes in the offing for the near future. The steel ingot rate might take care of that picture before any steel firms get into a "willing" position, "The Iron Age" observes, yet there were no signs and no evidence this week that the price structure was weakening. It was as strong as ever.

It has also become clear that most steel buyers outside of the automobile industry haven't a thing to lose by waiting for lower steel prices. A spot check just completed shows that steel stocks in fabricators' hands will last them twice as long today as they would have two months ago. This is because their business has declined and stretched out the relative size of their inventories.

On the basis of orders coming into steel mills it hardly seems likely that the operating rate for July and August will do anything but decline. There is reason to expect that it might go to 65% or lower, but this will not mean that things are going to pieces, the magazine adds.

There were many times in the past when the steel rate fluctuated between 60 and 80% without undue concern. Today's capacity is at a much higher figure than it was before the war. The operating rate may be the same, but the tonnage of steel being rolled out is much greater. Concluding, the "Iron Age" states that, generally sales people in steel look for a slight pickup in the fall of a purely

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## Unionization of Stockholders on 'Craft' Basis Opposed

Lewis D. Gilbert endorses Wilma Soss' objections to Elisha Friedman's proposal, maintaining they shirk duty of opposing management abuses and of representing real stockholder interests.

Editor, The "Commercial and Financial Chronicle":

After reading Mrs. Wilma Soss spirited rejoinder to Mr. Elisha Friedman's scheme for stockholder "unionization," published in A. Wilfred May's column "Observations" in the "Chronicle" of June 30, there is little to add. All independent public shareholders will agree with everything she has written, and I would merely add the following conclusions:

(1) It is amusing to note that Mr. Friedman apparently wants shareholders to be "vocal" only when it comes to government and labor.

Otherwise we are expected to be silent—Management abuse is of no interest to him. Needless to say, stockholders have no intention of following his advice along the lines he suggests, without also being concerned with the equally important problem he shirks.

(2) Mr. Friedman may be quite sure independent stockholders will refuse to contribute to any "check-off" for reactionary purposes, such as he envisages. In addition, he may be quite sure that independent stockholders will challenge from the floor of any annual meeting any attempt by management to make contributions to such an organization he outlines.

(3) If such an organization is formed and its representatives pretend to speak before Congressional Committees for stockholders, those stockholders who feel quite differently will make it quite clear to the legislators, that they have no such authority and are only speaking for management-minded stockholders.

LEWIS D. GILBERT.

## World Bank to Send Mission to Colombia

The International Bank for Reconstruction and Development announced on June 30 that a nine-man team of experts would soon undertake a comprehensive survey of Colombia's over-all economy with the view of recommending ways to increase the wealth of that country. The mission, which is headed by Dr. Lauchlin Currie, economist and formerly Administrative Assistant to Presidents Roosevelt and Truman, will leave July 10. The Colombian Government requested the International Bank to make the study.

As an indication of the importance which the Bank attaches to this new type of mission, Robert L. Garner, Vice-President, will accompany it to Colombia and will remain there a week. The mission itself will probably be in Colombia for three months. It will probably require several more months to draft the report and recommendations involving Colombia's agriculture, industry, electric power, transportation, and public health.

## Observations . . . .

By A. WILFRED MAY

### ON BROADENING EMPLOYEE-STOCK-OWNERSHIP

Following are suggestions addressed to this column from a woman employee-stockholder—that is, an employee-stockholder who incidentally happens to be a woman. Her communication highlights, from the employees' viewpoint, some of the factors inhibiting their purchase of ownership in the corporate enterprise which they serve.

Evidently excessive pricing of stock sold to the workers, general distrust of management, non-representation on the directorate, a sense of exclusion from the "inner sanctum," are factors seriously troubling them.

This is particularly unfortunate because more widespread distribution of company shares to its own employees could be the most practicable way of filling the sore need for a substantial increase in the nation's community of shareholders. This is a need, incidentally, which is graphically demonstrated in an analysis of the 1947-48 stock ownership trend prepared by Dr. Daniel Starch for the July 1 issue of "Forbes Magazine of Business." This discloses that the 10,769,413 individuals who are invested in the shares of 216 companies represent an increase of only 0.7% over the previous year—growth wholly insignificant in comparison with the expansion in our economy.

In this field Eastern Airlines has just effected a novel variation from the usual employee stock-purchase plans. This company, under the aegis of Captain Eddie Rickenbacker, has for some years accomplished wide distribution of its stock among its workers under a five-year payment technique. But recently it decided to extend the stock-ownership drive to its top level of executives. Two hundred and fifty of its so-called "Advisory and Field Board of Directors," who in the past have been remunerated for meeting attendance at the rate of \$10 per meeting, now receive their fee in company stock. Moreover, this small initial taste of share ownership has whetted the appetite of many of them for additional purchases. Not only has this operation established improved employee morale, but also it will undoubtedly raise the confidence of investors—existing and prospective ones—in the enterprise.

### The Letter From an Employee-Stockholder

Dear Mr. May:

If the working classes could be interested in becoming capitalists through the ownership of stocks, I believe it would help the labor problems of the country. Somewhere along the line in growth, a corporation ceases to be a private toy and becomes a quasi-public utility, especially if it manufactures essential items. A company which maintains the policy of "it is none of your business," I do not like and would not buy any stock in. As you suggest, these large companies should explain the facts of life to the working men, which may or not be their own employees, and interest them in becoming partners by way of stock ownership. For instance, if the thousands of employees of a large corporation had sufficient stock ownership they could secure one or more directors on the board and in that way secure direct representation instead of through the use of the "labor bosses" that Mr. Pegler writes about. That would be better than socialism. Instead of the government (run by a small clique) controlling everything, presumably for the benefit of the taxpayer-stockholder, let the taxpayers be actual stockholders in the big corporations and take an active interest in everything that goes on.

My daughter, now 22 with five years of working experience, has worked for two small entrepreneurs. She knows everything that goes on, the failings of the management and the good points, the profits, the trend of the business, etc. She takes a personal interest to the extent that in one place she made the remark that if she were boss she would fire the boss because he was lazy. During the war years she worked extremely long hours and while she got paid by the hour I believe the main incentive was interest. Her only training, really, has been experience and a good head (not to mention her mother's influence!), but she spends considerable effort to find ways to save expenses, increase sales and promote efficiency, and she has been successful in all. In my opinion, she is one in a thousand of her age.

Now, if employees knew what was going on in the company and

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## INVESTMENT SECURITIES

Public Utility  
Industrial  
Railroad  
Municipal

A.C. ALLYN AND COMPANY  
Incorporated  
CHICAGO

NEW YORK BOSTON PORTLAND, ME. PHILADELPHIA MILWAUKEE  
MINNEAPOLIS OMAHA KANSAS CITY WATERLOO FLINT

# The Battle of American Business

By IRWIN D. WOLF\*

Vice-President, Kaufmann Department Stores, Pittsburgh  
Chairman, NRDGA Vendor Relations Committee

Holding American business is engaged in combat to preserve itself and foster world freedom, prominent merchandiser says it is prime duty of government to strengthen and not weaken business economic structure. Says business has become whipping boy of government, and scores controls and regulations in merchandising. Condemns forcing business into atmosphere of doubt and scores government agencies that act as investigator, prosecutor, judge and jury. Pleads for simplification of business laws.

We are participants—you and I—in combat that is realistic and purposeful. Ours is more subtle battle than armed conflict. Economic power, political philosophies and National resources are the weapons with which our war is being waged. The scope of our conflict is international.



Irwin D. Wolf

ago. If we fail in our battle, the last substantial bulwark of free enterprise will be swept away, and American Business will be swept away with it.

Ever since the end of World War II, American Business has been the big force used to influence, if not to shape, the political pattern of the world. To make the point clear, I need only cite the billions expended to date for European Recovery. Our very way of life and the product of our sweat have been used, and are still being used, as potent instruments of persuasion on the international scene. Substantial alteration, if not destruction, of our standard of living has long been the target of our nation's political antagonists.

As world events took form, American Business became an instrumentality of state. As world affairs have now evolved, American Business will be employed as a continuing instrumentality of state.

Business must accept that responsibility and must equip itself to meet the demands which that role entails. Government, on the other hand, must now make it possible for business to discharge the responsibilities which have been thrust upon us.

## Business Responsibility in World Politics

Greater responsibility has never rested upon any element of society than has devolved on business in consequence of its part in world politics. Upon our success in meeting these obligations depends not only the strength of our own government, but also the welfare of untold millions who thus far have had the courage to decline the embrace of autocratic philosophies.

The very scope and importance of the role which our statesmen have assigned to business make it the prime duty of government to strengthen business and foster conditions under which it will thrive. Specifically, the structure of business endeavor must be re-enforced and, at the same time, out-dated concepts and out-moded techniques must be discarded. Unnecessary and useless procedures, with which we have been burdened, must be eliminated. All of this is imperative if we are to succeed in the policies we have undertaken to support. For if we fail there will be no future. In war we were the Arsenal of Democracy... today we are the Arsenal of Peace!

\*An address by Mr. Wolf at the Merchandising Convention of the National Retail Dry Goods Association, New York City, June 21, 1949.

But are we equal to the responsibility which has devolved upon us? Are we able to maintain the velocity of business necessary to support our own standard of living, provide for our own needs, meet our own fiscal problems... and at the same time contribute to the welfare and needs of others throughout the world? I am confident we can, provided we recapture for business the basic principles of democratic life which have made our nation great. To a large degree they have slipped from our hands and we must set ourselves to the task of regaining them. While they are lost to us momentarily, those great principles are still within our reach.

Nothing that I have just said is even remotely in the nature of an attack on this administration or any single administrator. I am entirely aware, as are all of you, that many of those things which we business men seek to remedy are consequences of rapid growth and the increasing complexity of the world in which we live. But I do challenge government to eliminate an evil which, like any other parasitic growth, has attached itself to a strong body and is feeding upon it.

## Position Facing Business

All right, then... what must we do? At the outset, we must examine the position in which we find ourselves. It is not a happy one. There is danger from within as well as danger from without. Business, instead of being the prime concern of government, is once again the favorite whipping boy of government administrators. Although the velocity of business is of vital importance to the nation, hardly a day passes without presentation to Congress of additional and dubious proposals for further regulation or control of some phase of commerce.

We have developed a singular and highly unique tendency to label every disputed practice as a national menace. Our legislators are urged toward indignation at such practices and to legislate on ever-broadening fronts to suppress what is invariably a narrow and often isolated evil, fully capable of being suppressed through the enforcement of existing local law. The very number of such regulations often provides legal justification for "fringe" operations. And it frequently happens that Federal regulations create the very evils they are designed to eliminate; for example, some retailers have been forced into manufacturing—in order to avoid conflict with the Robinson-Patman Act. Many manufacturers are determined to sell only large users to avoid the awkward policies by which this act has been administered. The integrated operation has made its debut—why—because of such laws and the way they are administered. And those who begot such laws are now sponsoring divorcement legislation to eliminate their self-created evils. That is our example of how ill conceived our business laws are.

Unfortunately the moving considerations which underlie most of our Federal laws governing business are those which were generated in a spirit of suppressing evil practices and abuses. Many other regulations were born in

the clamor and outcry generated by those who desired to attract votes or to extend the boundaries of their own private kingdoms.

We have become so zealous in our endeavor to discourage what some are pleased to call "sin," or at any rate what politicians conveniently call "sin" in order to denounce it, that we legislate and administer against those who are innocent. Why? Because of fear and apprehension that, unless they are regulated, they "may" "tend" toward forbidden practices. And when we do legislate in these matters we invariably use such loose terms as to authorize political appointees not answerable to us and obviously unschooled, to do such things and promulgate such regulations as in the judgment of such "administrator" may be necessary.

However, we are a nation richly populated by far-sighted administrators—some, in fact, are really seers—who unblushingly profess to be expert in all things. Hence, it is said, we are safe from error or abuse. But experience and fact deny such assertions, and the contrary is true. From those to whom we have entrusted the power and authority to encourage a high velocity of business, we have received nothing but a high velocity of regulations.

## A Gauntlet of Penalties

Our administrators have really labored. They have formed a gauntlet of penalties for business to run. They have constructed a Chinese Wall to circumscribe our activities. They have erected an enduring monument which arrogantly challenges what man has known for many long years—"Those are governed best who are governed least."

Laws enacted by Congress, having as their objective the protection of commerce, have been so administered and interpreted as to have a burdensome and deterring effect. Others have given rise to administrative techniques from which the spectre of another NRA is already plainly discernible on the immediate horizon.

Our administrators are indeed prolific. All the laws enacted by Congress in the period from 1789 to date have been codified in four volumes known as the United States Code; whereas the rules and regulations of Federal agencies known as the "Code of Federal Regulations" comprise 47 volumes of substantial size. Do not think for a moment that their job is ended. Not at all—in fact theirs is an unending project. Not a single issue of the Federal Register fails to carry voluminous additions to the mass already in existence.

Rulings by administrators embodied in hundreds of volumes of agency reports bid fair to overshadow in immensity the reported opinions of our busiest judicial tribunals. The Harvard School of Business Administration has published three volumes on the Robinson-Patman Act alone!

Business, of course, and business men are supposed to keep abreast of all this prolific outpouring. Where, indeed, is the fortunate individual who can operate a legitimate enterprise for one day without innocently tangling in some thread of this incredible web! And once you have tangled,

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## Special Situations in Neglected Opportunities

Investment Dealer Sees Investment Opportunities Today Greater Than Ever.

In an interview with one of our reporters this week, Mr. Irving A. Greene, senior partner in Greene and Company, 37 Wall Street, New York, N. Y., who has had many years' experience in the investment field, said he has always felt that a reasonable amount of money could be made when one takes the time to devote his research knowledge to special situations.

"Naturally," he went on to say, "it requires not only time but patience to delve into and make a thorough study of each and every seeming opportunity that presents itself. With the countless securities dealt in the Over-the-Counter markets there certainly should be plenty of opportunities from an investment point of view if one wants to exert himself and look into various situations as current developments dictate. For example the recent decision handed down by the U. S. Supreme Court with reference to Engineers Public Service is one of the many neglected opportunities that confront us from time to time."

"The U. S. Supreme Court on June 27th ruled that former preferred stockholders of Engineers Public Service were entitled to call price rather than the lower involuntary liquidation price. The case was decided under the 'investment value' theory, with value not to exceed call price. A number of other utility company escrow certificates are affected by this Supreme Court ruling. These include the companies mentioned below. Engineers Public Service preferred stockholders, under the decision, receive interest on their claim, and similarly situated escrow certificates may also be in a position to receive interest. The maximum value, therefore, may be greater than indicated in the tabulation.

	Maximum Value	Market Price
American Water Works & Elec. \$6 pfd.....	\$10	8½-8½
Electric Bond & Share \$3.50 pfd.....	10	3½-3¾
Electric Bond & Share \$4.20 pfd.....	10	7½-8
Federal Light & Traction \$6 pfd.....	10	8¼-8¾
New England Public Service prior \$7 pfd.....	20	16 Bid
New England Public Service prior \$6 pfd.....	10	8 Bid
Pennsylvania Edison \$5 pfd.....	5	3½ Bid
Pennsylvania Edison \$2.80 pfd.....	2.50	1½ Bid

"There are reasonable opportunities in various rights, tenders, callable features, liquidations, reorganizations, etc."

"It's all in the way you look at it. If you want to sit back in your chair and wait for opportunity to knock on your door, that's one way. If you think it best to take your hat in your hand and go calling, that's another way. In any event anyway you look at it, the investment opportunities today are greater than ever."

"During my many years in the investment business I have always been impressed with the fact that somewhere down the line history repeats itself and in times like these opportunities abound to make excellent buys if you are on your toes. I am mindful of the early days after World War I, when we dealers suffered the same hardships and lack of interest in securities that now prevail."

"When you're dealing with mass psychology, as we're doing particularly today, a little foresight and a sincere effort to exert ourselves and capitalize on existing opportunities will bring in worthwhile business. Before we know it the pendulum will swing the other way again, as it always does," Mr. Greene concluded.

## Signs Point to Greater Prosperity, Says Treasury Under-Secretary Foley

Points to consumers' cash holdings and large buying power, combined with \$75 billion expenditure for new construction and equipment, as assurance of stronger economy, "beyond anything experienced in past."

Edward H. Foley, Jr., Under-Secretary of the Treasury, in an address before the International Circulation Managers' Association in Chicago on June 30, expressed a high degree of confidence in an ever expanding economy "greater than this country has ever known."

"As of today," Mr. Foley asserted, "our economy gives every indication of underlying strength. There has been no undermining of that strength as we have readjusted our business structure to normal peacetime markets. Some few critics have mistaken readjustment for something basically destructive. I believe they now are realizing their error."

"It requires but little 'digging' to disclose some of the major elements of our underlying economic strength. One of them is the strong cash position of the people of America. Individuals hold liquid assets estimated at more than \$200 billion—and I might note that in the mid-1930s the



Edward H. Foley, Jr.

entire national income was only a fourth of that. The \$200 billion does not include such important items of asset strength as insurance, equities in unincorporated businesses and securities other than those of the Federal Government.

"This cash position, and the fact that the people are continuing to earn money at the rate of nearly \$214 billion a year, spell immense buying power. If the public is not rushing to the stores for goods these days as it did soon after the war, the primary reason is not lack of money to spend. It appears, rather, that the public is more bent on getting its money's worth than was the case when shortages were the rule."

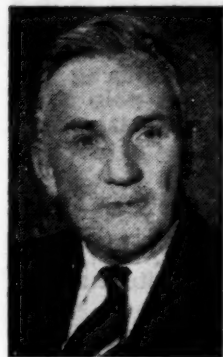
"Our financial institutions and our speculative markets are in unusually sound condition. We have not repeated, after World War II, the speculative excesses that followed World War I. Merchants, furthermore, have been cautious about their inventories, with the result that we have had

(Continued on page 14)

## From Washington Ahead of the News

By CARLISLE BARGERON

Quite reluctantly, I have come to the conclusion that to be a good newspaper reporter one must be ignorant. He must have the knack of becoming tremendously enthusiastic over something he has never heard of before, but which has nevertheless been a part of our every day life and quite essential to it.



Carlisle Bargerón

Maybe I have reached this conclusion because I have just turned another birthday and it seems that much longer since I used to hit the front pages with stories which in later years I learned I should not have got excited about at all. But the fact is I have been leading up to this conclusion for a long time.

A few days ago a young reporter had one of the type of stories I have in mind. It hit the headlines fairly generally around the country and a Congressional investigation was promised to deal with the situation which he unearthed. He basked in the admiration of his colleagues and several editors commended him for public service. The Guild probably prevented his getting a bonus or a raise but he nevertheless enjoyed that thrill of a journalistic lifetime.

The particular story was more or less handed to him but that doesn't detract from his enterprise. It was the "exposure" of a five percentor, a man who served in the Quartermaster Corps during the war and with the experience in governmental purchases which he gained is now getting Government business for firms on a 5% commission basis.

I say the reporter had to be ignorant to go for this story and I just don't know how to explain the editors who expressed indignation that such as this should be going on in Washington unless it be a combination of ignorance and smugness. Don't get me wrong. A few years ago I would have gone for this story, too.

But after my years of experience, so to speak, years of my having become more informed, had anyone approached me with this juicy scandal I would have looked at him as though he were nuts. Why, I know more than 100 of these five percentors in the country club to which I belong and there are at least five other similar country clubs around Washington.

I did become quite interested when the ECA was first set up, over the lament of my fellow golfers that the European governments were to place their orders direct with the manufacturers in this country and the ECA was to serve more or less as an auditor. It looked as though our club economy was to be badly hit because these manufacturers' agents, to use a better name than five percentors, are our heaviest spenders. And I was assured by my complaining friends that the ECA set-up eliminating them, made for some of the most scandalous episodes we have ever known. But it seems that in time, the European governments established purchasing missions here and so the middlemen, the brokers, so to speak, were saved.

The point is that it occurred to me that there might be news in the plight of these gentlemen. It would never occur to me that there was news in the fact they are here. I guess I am getting too old and worldly wise.

However, I should like to see some small business man, unacquainted with Washington bureaucracy, come here and get a Government contract by himself. He would have to be a man of unusual initiative and persistence and fully hardened against rebuff.

Indeed, there have been any number of Congressional investigations about the small business man's inability to get in on the Government bonanza, how the pickings all go to "big" business. There have been torrents of words and tears poured out in the Congressional debates.

And I know of none of the big manufacturers who do not maintain officers here. Several of my golfing friends, in fact, represented one particular firm during the war when the war orders were being passed out in abundance. Such a firm has decided it can't maintain an office here now on its share of the business so this fellow has become a free lance. He represents several firms on a commission basis. If I want to sell a piece of property I will likely have to pay a real estate agent 5%.

The particular gentleman "exposed" by the reporter seems to have a way of bragging about his friendships in high places. He had autographed photographs of Truman and Harry Vaughan on his walls. But if this is a crime a good part of Washington's business section should be in jail. The legal fraternity, in particular, would be in one awful fix. After Government, the leading industry in Washington is "being close to men in high places."

The manufacturers' agents, like the lawyers and the doctors, have their quacks. But their legitimate business goes far beyond acquaintances and friendships among men in high places. They have to be experienced in the commodities with which they are dealing. I would have an awful time, for example, getting an order for a turbine because I know very little about turbines.

These agents guide their clients through the whole process of preparing their bids and of fulfilling the order after they get it. They are experienced in Government specifications. Primarily, they know what the Government wants to buy and just where to go to get the order. A man who served in the Quartermaster Corps during the war has certainly had the experience to be a good agent.

It strikes me that those who lift their eyebrows at situations of this kind should get to the roots. Big Government is what is responsible for them.

### Joins Sloan & Wilcox

(Special to THE FINANCIAL CHRONICLE)  
PORTLAND, ORE. — George R. Johnson has become associated with Sloan & Wilcox, Cascade Building. In the past he was with Hughes, Humphrey & Co.

### With Smith, Ramsay Co.

(Special to THE FINANCIAL CHRONICLE)  
BRIDGEPORT, CONN. — Harry L. Dole has been added to the staff of Smith, Ramsay & Co., Inc., 207 State Street. In the past he was with Geo. C. Lane & Co.

## We Must Combat Threats to Private Banking

By C. FRANCIS COCKE\*

President, Virginia Bankers Association  
President, First National Exchange Bank of Roanoke

Asserting bankers must critically examine every legislative effort to restrict free enterprise, prominent Virginia banker points to increasing Federal control of banking along with expansion of government lending agencies, as menace to our economic structure. Opposes Hoover Commission's proposal for greater concentration of banking power in Washington, and scores expansion of Government lending agencies. Recommends Government action be restricted to supervision only, and not extend to direct control of banking activities.

I feel very strongly that now, more than at any other time in the past 15 years, bankers should be made aware of certain movements and political theories which threaten to undermine our cherished system of free enterprise and individual initiative in the bank-

ing field. I do not want to appear as an alarmist, but with your kind permission I should like to use the time allotted to me this morning to bring to your attention the dangers which are inherent in certain economic and political theories, which seem to be gaining more and more popularity among the American public. After we have examined certain of these threats, I should like to outline briefly a program which might be used as a basis for our concentrated opposition to these forces which are working to undermine our whole system of private banking.



C. Francis Cocke

In the period from 1932 to 1935, the banking industry was the subject of many attacks spearheaded by the reform forces in the Administration. Bankers who lacked courage at that time felt that private banking as such was doomed, and that it would be a matter of only a few short years before the banking industry in the United States would be taken over completely by our Federal Government. At that time the attack was open and direct.

The banking industry, through its individual members and its associations, admitted the existence of defects within the banking structure. Bankers themselves made every effort to correct these deficiencies, and openly engaged in a campaign for survival. The record of the past 15 years shows the results of this campaign. The banking profession, as such, is no longer the object of political attacks; our popularity in the minds of the general public rises some each year, and I cannot remember hearing, in recent years, any reputable government official demand the socialization of banking. The cry of the political demagogues for government ownership and operation of our banks subsided when the bankers were made fully aware of the threats to their existence, and when the bankers developed and carried through a program which has given the people of the United States sound, constructive banking.

### Two Basic Philosophies of Government

There are two basic philosophies of government. One exalts the State and promotes and encourages the extension of State activities; the other is the individualistic approach which places primary emphasis on the people as individual personalities. This latter approach is normally the concept of free enterprise. This is the system under which the United States has created the highest standard of living in the world. It is the philosophy which we must support. Under this sys-

\*Presential address of Mr. Cocke before the Virginia Bankers Association, Hot Springs, Va., June 27, 1949.

tem, and under ideal circumstances, we would expect nothing from the State except provisions for external defense, internal order, and the administration of justice. I fully realize that this ideal state can exist only in theory, especially under the complex conditions which exist in the world today.

Nevertheless, we must critically examine every legislative effort to restrict free enterprise, and ask ourselves whether the objective of that restriction is worth its cost in terms of freedom and initiative. We, as bankers and as Americans, have come to recognize certain areas in which the activities of the State are and should be properly extended. But we cannot afford to allow to pass unheeded those individual actions of government which, added together, can remold the pattern of our basic political philosophy — the preservation of free enterprise.

It is in the light of these principles that we must be alert to potential threats to our privately owned unit banking system. Bankers have always accepted some form of public supervision of banking in the public interest. The nature of the business and the structure of our economy fostered such supervision. However, we have reached a point where a threat arises from the increasing desire for concentration of financial controls in the hands of a small group of government bureaus and agencies. Some of these controls had their origin as wartime emergency measures. Some are being continued as emergency measures to combat threatened inflation or threatened deflation. I have not the time to discuss the point as to whether any or all of this concentration of financial power was or is necessary. I want only to emphasize the point that the present and proposed controls seriously threaten

the very foundations on which our private banking industry is built. The real danger lies in the fact that the proposals always have as their stated purpose the improvement of some phase of our economic life. Seidom do the plans propose socialization of bank credit. Thus, unlike in the 1935 period, our threat now comes from the plans and schemes to correct this or that evil, but when pieced together each one takes us one step further along the road to socialization of banking in the United States.

### Banks Subjected to Increasing Controls

Under the guise of centralization of monetary and credit policy, our banks are being subjected to more and more control by our banking supervisory agencies. Policies affecting our three major asset accounts are in some measure being dictated in Washington. There is evidence that the traditional function of supervision is being superseded by partial control. When control is achieved, operation and even ownership of our banks by the government would not be too difficult to accomplish.

Now I would like to stop speaking in generalities and mention some specific types of control, and some proposed and pending legislation, which to my mind strike at the very heart of our cherished system of private banking.

A first type of control to which we are being subjected is illustrated in the much discussed Regulation W. Admittedly, when by itself Regulation W amounts to a relatively small matter. But, beginning as a wartime measure and now continuing as a peacetime law, Regulation W is a definite attempt to regulate and control the details of an important portion of the loan policies of

(Continued on page 35)

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# Current Textile Situation

By A. W. ZELOMEK\*

President, International Statistical Bureau, Inc.

Textile statistician says readjustments already under way in textile industry indicate most lines can look forward to fairly steady replacement activity. Warns, however, full recovery to former high price-profit level cannot be looked for, and predicts general recession in business will end early in 1950. Urges textile firms not to overstress economies.

Textiles, we believe, have generally completed the first and most violent phase of their postwar readjustment. The industry has already entered a cycle in which new norms of production, demand and competition will be established. Certainly this appraisal applies

with particular force to cotton and rayon textiles and to a lesser extent, to woollens. Only worsted prices have continued to lag behind the general declines.

The drastic deflation experienced by most major textile groups during the past 18 months is already being succeeded by a period of harsher rivalries for business. Inter-fiber competition has become especially severe, with some of the older materials losing ground to the new at an accelerated pace. Both the fantastic profits of early postwar years and the related growth of net worth are fast becoming a memory.

Textiles, in other words, anticipated by many months the general business recession through which the country is now passing. There are both advantages and disadvantages for the industry as a consequence of its far advanced position in the receding cycle. A proper grasp of this fact may help textiles buyers and sellers to achieve that proper balance of courage and understanding which we of the International Statistical Bureau believe to be highly essential in the perhaps trying period that lies ahead.

Having had a lengthy head-start upon the general business readjustment, the most thoroughly liquidated textiles can look forward to a fairly steady if unsensational replacement activity in many lines even while other industries are going through the wringer.

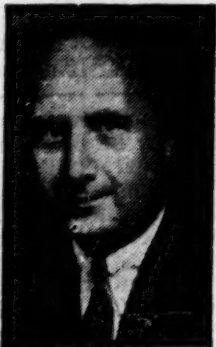
Having already placed itself in a somewhat improved technical position the textile industry can afford to become sensitive to favorable news and to discount to a sensible degree bad news emanating from areas of the economy that have yet to complete a comparable degree of price and profit correction.

## No Full Recovery Looked For

On the other hand, full recovery by textiles will be delayed by the fact that the difficulties of other key industries cannot help but reduce general purchasing power. Unit sales of many cottons and rayons jumped to record-breaking heights in the past five months as the first benefits of price deflation became effective. High income levels contributed to this performance. The peak of unit sales gains resulting from this fortuitous combination of circumstances has now been seen.

Thus, our present views about textile prices are tempered on the one hand by the conclusion that the industry is well along in its readjustment and on the other hand by the conclusion that other industries are not nearly as far along. These conclusions flow from what we believe to be sound

\*An address by Mr. Zelomek before Mid-Year Convention of the Merchandising Division of the National Retail Dry Goods Association, New York City, June 20, 1949.



A. W. Zelomek

assumptions about two fundamental questions.

(1) What are the major causes of the general business recession?

(2) How much deeper has it to go and how long is it likely to last?

Like the recession of 1937-38, the one now being experienced was to a large extent caused by a too rapid and a too drastic advance in inventories, prices and profits. Under this powerful double stimulus, production and prices expanded at a rate that soon outstripped purchasing power despite the fact that purchasing power had risen to unprecedented heights. One product after another was priced out of its market and textiles were at the forefront of this distortion. Inventories piled up as buying retreated. The resulting forced liquidation aggravated the price declines that inevitably followed this chain of events. As prices receded, often returning to cost levels, backlogs of orders dried up. Manufacturers sought refuge in curtailment and the total effect was to cause the recession to feed on itself.

Not only textiles, but one industry after another is following quite closely this 1937-38 pattern of recession. While the whole process of readjustment is far advanced in textiles, steel and transportation are still in the very early stages of their decline. Automobiles, which dominate the transportation group, have not yet begun their descent. Machinery, where it was generally believed last fall that order backlogs would maintain the then prevailing rates for at least 10 or 12 months, has already curtailed operations rather sharply.

Textiles production has already declined almost as sharply as it did in 1937-38 and it is our opinion that textile production is about ready to level off. Certain areas, especially in rayons, are already inching up a little in response to recent placing of deferred orders.

But how far will the general recession go? It seems likely to us that the low will come late this year or early in 1950. Chief reason for believing this is found in the position of banks, private debt and credit. We see no evidence in these fields that what is happening now can degenerate into a financial panic. Liquidation of inventories and readjustment of prices are painful. The decline in production and employment that accompanies them may be quite sharp. But readjustments of this type don't take more than 12 to 18 months, provided the financial picture is reasonably strong.

Economists sometimes describe the current type of business recession as an "inventory depression." It is one of textile's great advantages that it has already weathered the worst phase of that experience. Twelve and eighteen months ago we of the International Statistical Bureau were cautioning our clients that the heavy forward backlogs then boasted by the great majority of cloth mills were, in reality, a danger signal. The high prices at which the forward orders had been booked meant, we feared, that much of the production would find its way into inventory rather than into the hands of the consuming public.

Although many of our clients recognized the logic of this argu-

ment, you can appreciate the fact that it was, to say the least, an unpopular viewpoint. Today's situation is quite the reverse of 12 and 18 months ago. Forward orders are, with few exceptions, back to normal and in many instances are subnormal. Customers' heaviest inventory excesses have been to a large extent worked off.

The statement has already been made that the most violent phase of the postwar price decline has been experienced by most cotton and rayon textiles. Although we do not at present see much chance of upturns while other areas of the economy are weakening, the next few months may see some prices turn steadier and a few may even stage temporary rallies. But the general drift will be downward, if at a much slower pace.

## Prices and the Consumer

How do today's prices look to the consumer? The relationship between textile prices and all other prices is due to undergo continuing changes as the rest of the economy moves through various stages of readjustment, but at least for the next several months we think that most cottons and most rayons will be in reasonable relationship to purchasing power.

Cotton's demand position, I regret to say, seems less favorable than rayons' from both the short-term and long-term outlook. One of the great differences between the recent readjustment of cotton cloth prices and the readjustments of the 1937-38 period, is that raw cotton declines in the current situation have been extremely limited and are due to remain limited for some time to come. The explanation of this difference, of course, is government supports for farm prices.

Although such supports have perhaps had the virtue of keeping cotton cloth declines from getting too far out of hand, the resulting stability has been by no means an unmixed blessing. It is forcing increased costs back upon mills to an extent which could eventually prove destructive. It is already leading to some attacks upon the wage structure.

One does not have to look far to see what is happening to the competitive position of cotton textiles. Both in the field of industrial textiles and in the field of apparel, cottons have been losing markets to other fibers at a disturbingly accelerated rate. Paper, rayon and other synthetics have been the beneficiaries of high cotton prices.

There's not much doubt in our mind that the relatively superior price position of rayons to other fibers is helping to hasten some degree of improvement in that field. About forty-five days ago, following the most drastic kind of inventory and price liquidation, we tentatively arrived at the conclusion that a number of the rayons had at least partly turned a corner. Since then we have noticed some gradual, if as yet spotty improvement in rayon cloth sales and production.

Although price advantage is a factor in this slight betterment, a related influence is the historic ability of the rayon industry to effect very rapid adjustments of output. This facility can be, of course, both a strength and a weakness. It means that the

(Continued on page 39)



# NSTA Notes

## INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

At the 27th annual summer outing of the Philadelphia Investment Traders Association, held at Whitemarsh Country Club July 1, the Philadelphia golf team composed of Russell Ergood, Stroud & Co., Freeman Grant, Dolphin & Co., Ned Phillips, S. K. Phillips & Co., and James B. McFarland, III, H. M. Byllesby & Co., bested by 15 to 3 the Security Traders Association of New York quartet of Stanley Roggenberg, Roggenberg & Co., L. Wrenn, Allen & Co., T. Plummeridge, J. Arthur Warner & Co., and W. Erickson, Shields & Co. The contest might better have been designated as water polo since a succession of cloudburst more than dampened the sartorial effulgence if not the ardor of the players.

Other golf awards were as follows:

Low gross, guest—L. Wrenn, 79. Low gross, member—first, Freeman Grant, 80; second, James B. McFarland, III, 84. Low net, guest—Lewis H. Serlen, Josephthal & Co., 73. Low net, member—first, Frank Regan, C. J. Devine & Co.; second, Al Fenstermacher, M. M. Freeman & Co.

Lesser outdoor activities, soft ball, tennis, bocce and horseshoes, were rained out.

Best shot of the party was inadvertently missed by roving photographer Jack Germain, J. Arthur Warner & Co. During spirited trading at the automobile post, Herbert H. Blizzard, Herbert H. Blizzard & Co., "shorted" five live numbers to Johnny Murphy, Philadelphia resident partner of Reynolds & Co., for a sum which might be considered a fair day's profit for either firm. Subsequent cancellations were a matter of more than passing concern to both principals. As Johnny's fourth live number was eliminated, he was discovered furiously puffing alternately on two lighted cigars, one in each hand.

About 180 attended the outing, which was well planned and conducted by H. Newton Parkes, Jr., Bioren & Co., Chairman, and Charles Brennan, Blyth & Co., Co-Chairman.

## Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

**Canada**—Monthly commercial letter—The Canadian Bank of Commerce, Toronto, Ont., Canada.

**Canadian Bond Quotations in U. S. Funds**—Tabulation as of July 5—A. E. Ames & Co., Inc., 2 Wall Street, New York 5, N. Y.

**Case for Common Stocks**—Bulletin—Selected American Shares, Inc., 135 South La Salle Street, Chicago 3, Ill.

**Department Stores**—Study in current "Review of Business and Financial Conditions"—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**Over-the-Counter Industrial Stock Index**—Booklet recording 10-year performance of 35 industrial stocks—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

**Railroad Equipment Trust Certificates**—Valuation and appraisal—Stroud & Co., 123 South Bond Street, Philadelphia 9, Pa.

Also available is a valuation and appraisal of City of Philadelphia Bonds.

**Realty Bond Price Averages**—Analysis of real estate securities—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

**Stocks**—Brief comment on a number of individual issues—Cohu & Co., 1 Wall Street, New York 5, N. Y.

**Babcock & Wilcox Co.**—Circular—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Also available are circulars on Commonwealth Edison Co., First National Stores, United Gas Corp., Airline Stocks, and Fire Insurance Securities.

**Burby Biscuit Corp.**—Circular—Richard E. Kohn & Co., 31 Clinton Street, Newark 2, N. J.

**Central Soya Company**—Analysis—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

**Colombia-Bolivia**—New study of economic and political developments—Zippin & Company, 208 South La Salle Street, Chicago 4, Ill.

**Delhi Oil Corporation**—Detailed analysis of natural gas stock—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

**Allen B. du Mont Laboratories, Inc.**—Analysis—Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

**Helicopter Air Service, Inc.**—Data—Crutten & Co., 231 South La Salle Street, Chicago 4, Ill.

**Interstate Bakeries Corp.**—Circular—Floyd A. Allen & Co., 650 South Grand Avenue, Los Angeles 14, Calif.

**Interstate Power Co.**—Circular—Eastman, Dillon & Co., 15 Broad Street, New York, N. Y.

**Kentucky Utilities**—Circular—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

**Lehigh Valley**—Analysis of the general consolidated mortgage bonds—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

**Life Savers Corp.**—Circular—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a circular on Mission Corp.

**Montgomery Ward & Co.**—Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**Mountain Fuel Supply**—New analysis—Edward L. Burton &

Company, 160 South Main Street, Salt Lake City 1, Utah

**New Amsterdam Casualty Co.**—Circular—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.  
Also available is a circular on **Fabst Brewing Co.**

**New England Public Service Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 8, N. Y.

**New Orleans Public Service Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Oregon Portland Cement—Late data**—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Public Service Company of Indiana**—Analysis—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Also available is an analysis of **Wisconsin Power & Light.**

**Republic Natural Gas—Bulletin**—Goodbody & Co., 115 Broadway, New York 6, N. Y.

**Seattle Gas Co.**—Circular—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

## Escher, Schreder V.-Ps. Of Distributors Groups

James H. Escher, previously a partner of Dresser & Escher, New York dealers, and Harold X. Schreder have been elected Vice-Presidents of Distributors Group,



James H. Escher Harold X. Schreder

Inc., 63 Wall Street, New York City. Mr. Escher will serve as sales manager and Mr. Schreder as head of the Investment Research Department.

Jim Escher, as those who have known him are well aware, is an "old-timer" in the fund business in spite of the fact that his class at Yale was 1933. With Dresser & Escher, he supervised salesmen and sold personally; directed mail and space advertising campaigns; and has conducted for a long time a study of most mutual funds with reference to specific investor requirements; in fact, he grew up in the investment field with funds.

Harold Schreder is known to hundred of dealers from coast to coast who have come to value his opinions as the economist of Distributors Group, and who are familiar with his many popular analyses of business and market conditions. Before coming to Distributors Group in 1942, Harold, after his discharge from the Army because of an injury, served as economist for the U. S. Treasury, writing a semi-monthly review of the bond market for Secretary Morgenthau. Prior to that he was head of research for M. A. Manley & Co. of Detroit. He went to that firm from the National Bank of Detroit where he served after completing two years of post-graduate work at Michigan's Graduate School of Business Administration.

## Edw. Dames Now With Shearson, Hammill Co.

Edward Dames has become associated with Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, in the firm's cotton department. Since entering business in 1910, Mr. Dames had been associated with Orvis Brothers & Co.; C. D. Barney & Co.; Lamborn, Hutchings & Co., and Pynchon & Co.

### With P. W. Brooks

(Special to THE FINANCIAL CHRONICLE)  
PORTLAND, MAINE—Roland H. Douglass has been added to the staff of P. W. Brooks & Co., Inc., of New York.

### With Courts & Co.

(Special to THE FINANCIAL CHRONICLE)  
ATLANTA, GA.—James A. Panagos has been added to the staff of Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

### Southern Securities Adds

(Special to THE FINANCIAL CHRONICLE)  
SAVANNAH, GA.—Gordon C. Carson, Jr., has been added to the staff of Southern Securities Corporation, Liberty Bank Building.

### With Wm. C. Juen & Co.

(Special to THE FINANCIAL CHRONICLE)  
BELLEVILLE, ILL.—Edward LeTempt has joined the staff of Wm. C. Juen and Company, 9 Public Square.

### Gallery With Lehman Bros.

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—John J. Gallery, Jr., has become associated with Lehman Bros., 231 South La Salle Street. He was formerly for many years with Glore, Forgan & Co.

### With Taussig, Day Co.

(Special to THE FINANCIAL CHRONICLE)  
PEORIA, ILL.—Carl A. Martinson is connected with Taussig, Day & Co., Inc., First National Bank Building.

### Harriman Ripley Adds

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—Eugene C. Travis is now with Harriman Ripley & Co., Inc., 135 South La Salle Street.

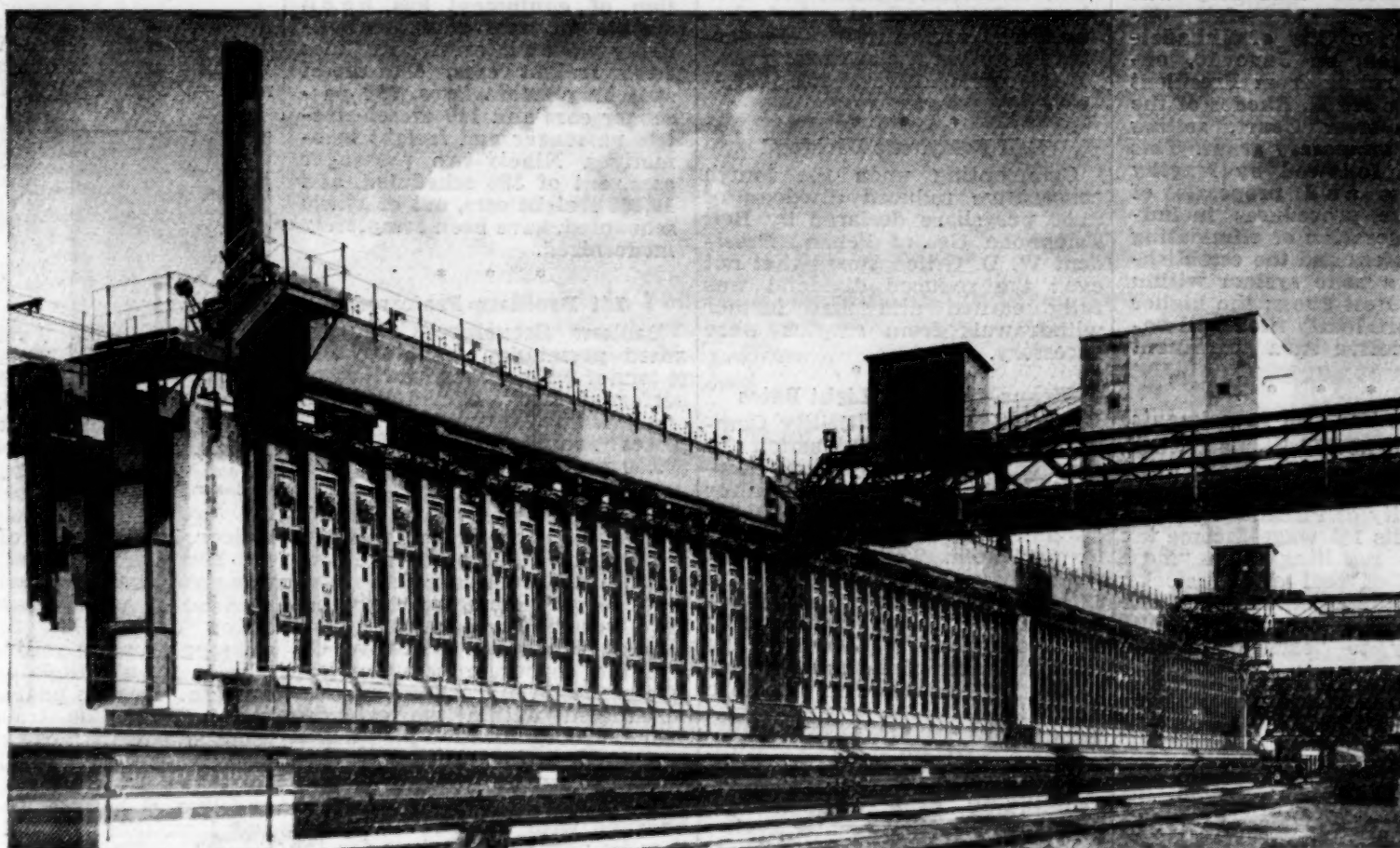
## Wertheim Installs Wire; Adds Knapp to Staff

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have installed a private wire from their unlisted trading department to the offices of George D. B. Bonbright & Co.

Reginald J. Knapp, formerly with George D. B. Bonbright & Co., in their New York office, is now associated with Wertheim & Co.

### With L. B. Jackson & Co.

(Special to THE FINANCIAL CHRONICLE)  
BLOOMINGTON, ILL.—Paul H. Collins is with L. B. Jackson & Co., Inc., Livingston Building.



## "PIG" WITH A TEXAS BRAND

Pig iron at the rate of 1,000 tons per day, coming from the war-born LONE STAR STEEL COMPANY plant in East Texas, is now laying the foundation for a greatly expanded industrial system in the Southwest.

Located near the town of Daingerfield, the Lone Star Steel plant was built by the Government as a war-time development and was purchased by the newly organized Lone Star Steel Company from the War Assets Administration in 1948. The properties include iron ore mines, coke ovens and by-product plants, blast furnace, power plant, various auxiliary plants and three Oklahoma coal mines.

Over 32,000 acres of ore lands are available within a 12-mile radius of the Lone Star plant. Ore is mined

from open pits, and the pig iron produced from this ore is of exceptionally high quality.

The Company's battery of 78 coke ovens has a rated capacity of 1,200 tons of high grade blast furnace coke per day. Valuable by-products include ammonium sulphate, benzol, toluol, xylol and other industrial chemicals.

Present replacement value of the Company's property is estimated at \$54,000,000. The Company has pending an application to the R.F.C. for funds to construct a \$64,000,000 steel mill as a further expansion of its operations.

Of the Company's 1400 employees, more than 90 per cent are native Texans, as are all of the Company's stockholders.

*This is another advertisement in the series published for more than ten years by Equitable Securities Corporation featuring outstanding industrial and commercial concerns in the Southern states. Equitable will welcome opportunities to contribute to the further economic development of the South by supplying capital funds to sound enterprises.*

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## Pennsylvania Brevities

### Corporation News and Notes

#### PTC Decision by July 21

By the end of the month, the "on again off again" pattern of increased fares asked for by Philadelphia Transportation Co. should be clarified and reasonably resolved. The Pennsylvania Public Utility Commission has agreed that on or before July 21 it will rule upon the permanency of the higher schedule filed with the Commission last Jan. 21. The interval has been marked by a series of moves and counter-moves much resembling a high-level checker championship with the peace and pocketbooks of both the public and the transportation company at stake.

In May, the PUC, acting upon a PTC petition of financial distress, permitted the higher schedule to become effective on a "temporary" basis, pending a final decision. This step was vigorously and successfully opposed by the City of Philadelphia, which, on June 10, obtained a ruling from President Judge Chester H. Rhodes of the State Superior Court, setting aside the temporary grant. This has been followed by lengthy discussions and proposals of alternative procedures including consideration of eliminating free transfers and the establishment of a zone system within the city. Best guess: the higher rates as originally filed will become effective on a permanent basis.

#### No "Wage Tax" on Investments

PHILADELPHIA — Last week, three judges of Common Pleas Court No. 1, sitting en banc, ruled that the City of Philadelphia cannot apply its 1% wage-income tax on profits resulting from "mere ownership of real estate, stocks, bonds or other securities." The Court held that the tax is applicable only to "earned" income arising from a business, an enterprise, an undertaking or activity in the nature of such and cannot

be levied in an instance where no service is rendered. Attorneys and tax experts say the ruling will affect hundreds of property owners and security holders within the city and that Assistant City Solicitor Abraham L. Wernick's estimate of a tax loss to the city of approximately \$1,000,000 per year is probably correct.

#### Autocar Co. Gets Order

The City of New York has awarded a contract to Autocar Co., Ardmore, Penna., for 200 heavy duty truck chassis to be delivered at the rate of 50 per month within the calendar year. Total cost will be about \$750,000.

#### Bell Telephone Dividend

Commenting upon the fourth consecutive reduced dividend of \$1.50 per share declared by Bell Telephone Co. of Penna., President W. D. Gillen stated that not even the reduced dividend was fully earned and that further withdrawals from surplus were necessary.

#### Penna. Power & Light Rates

The Pennsylvania Utility Commission has suspended action for six months on Pennsylvania Power & Light Co.'s application for rate increases affecting 496,552 customers in central and eastern Pennsylvania. The new rates would have added an estimated \$2,240,400 to the company's revenues. A final decision, pending an investigation to determine the reasonableness of the proposed increases, will be made on or before Dec. 22.

#### Bright Spot

PITTSBURGH — Because of continuing good demand for seamless pipe and greater availability of carbon steel, National Tube Co. is stepping up production at its McKeesport mill to the same level in effect during the war.

#### Cheaper Paint

Effective July 1, Pittsburgh Plate Glass Co. announced reductions averaging 9% on its entire line of interior and exterior house paints, varnish and enamel products. Yes, paint brushes, too.

#### Penna. RR. Leases

Pennsylvania Railroad has called a special stockholders' meeting for Sept. 20 at which ap-

proval will be sought for a modification of existing long-term leases with 22 lessor companies. Under existing Federal tax laws, neither the lessee nor lessor companies may deduct depreciation for income tax purposes on physical property which is subject to normal wear and tear and obsolescence. Therefore, the company points out, relief will be sought by a modification of the leases involved, which requires approval of stockholders and of the Interstate Commerce Commission. A spokesman for the railroad estimates that net income may be increased by as much as \$2,000,000 annually if the desired changes are effected.

In a progress report recently issued, Pennsylvania Railroad states that the major portion of its \$266,000,000 postwar program for additions to and modernization of equipment has been completed. New equipment already placed in service includes 4,000 freight cars, 426 diesel switching locomotives, 300 passenger cars and 140 diesel-electric passenger and freight locomotives. Ninety-two passenger cars, out of 382 scheduled, and 10,400 freight cars, out of 17,000 scheduled, have been completely modernized.

#### Lit Brothers Preferred

Bankers Securities Corp. has asked permission from the SEC to tender 9,462 shares Lit Brothers preferred stock, owned by itself and affiliate, City Stores Co., at prices ranging from \$95.50 to \$98.50 per share.

#### Pittsburgh Rwy. "Time Table"

Speculating upon the ponderous progress of legal procedure may well be regarded as a futile pastime. Nevertheless, observers believe that the 11-year-old trusteeship of Pittsburgh Railways Co. and the corporate complications of its 40-odd underliers may be terminated within the calendar year. A reorganization plan which is understood to be somewhat pre-approved by the principal parties at interest has been, or soon will be, filed with the SEC. It would then be normal procedure for the SEC to issue a 20-day notice of the start of hearings. Objections to the plan, if any, will be made at this time. Unless upset, the plan will be filed with the U. S. District Court for Western Pennsylvania for a final hearing and effectuating order.

#### Warner Company

PHILADELPHIA — Charles Warner, Chairman of the board of Warner Company, is quoted in the Philadelphia "Inquirer" as stating that company's gross and net for the first six months of 1949 will substantially exceed the like 1948 period when \$1.62

per share was reported on the common stock. Total earnings for 1948 were \$4.78 per share. Mr. Warner notes some contraction in private building but points out that public works construction is holding at a high level.

#### Philadelphia Electric Co.

Dow-Jones estimates that net income of Philadelphia Electric Co. for the 12 months ended June 30 will be around \$21,200,000, or \$1.80 a common share, compared

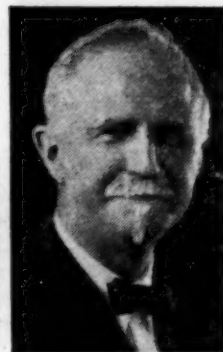
with \$19,156,997, or \$1.62, a year ago. H. P. Liversidge, Chairman of the board, in a message to stockholders, estimates that annual net income will be increased by about \$5,455,000 after taxes as a result of rate increases effective last April 18. Output of the Conowingo hydro-electric station for the first four months of 1949 reached new highs, 31% greater than the same period in 1948 and 26% above the normally expected level.

## Securities vs. Opportunity

By ROGER W. BABSON

As July 4th message, Mr. Babson points out there are still excellent opportunities for young people, and ascribes their indolence and indifference to GI and other social security benefits. Holds many youths are using only rights and not responsibilities.

Whether we maintain a healthy, competitive Free Economy or drift toward a Great White Fatherly State will not be decided in Washington. It is being decided at the crossroads of your town and mine—today! Hence, this is my July fourth message. The business



Roger W. Babson

of freedom of enterprise at conventions, high schools, on the radio, at the Parent-Teachers Association? These are golden opportunities to educate at the grass roots. The busy businessman has too long muffed this chance to educate for opportunities. Hence, several huge corporations I know have recently set up new Public Relations Departments to try to recoup their positions in this last 11th hour.

When I graduated from college there was but one automobile for every 9,500 people in the United States. Today, every five people have an automobile. Then, no families had radios. Today, 95% of all American families have radios! This was made possible not by promising Security but by promising opportunity. America became great by an ever-present awareness of our spiritual and moral heritage. July fourth, celebrates the spiritual belief in the individual and a realization that each of us has not only rights but also has responsibilities.

#### Higher Taxes Not Needed

All President Truman needs to balance the Federal Budget is to assure more freedom and less security—to youth, wage workers and employers. Then initiative will return, employment will increase, stock markets will rise and once again the Federal Government will have a surplus without any tax increases.

## du Pont, Homsey & Co. Becomes Nyse Member

BOSTON, MASS.—Formation of the new firm of duPont, Homsey & Co., members of the New York Stock Exchange is announced. The firm, with offices at 31 Milk St., Boston, and a branch office in Springfield, Mass., will continue the investment business of the duPont, Homsey Company which was established in 1933. The general partners are: Anton E. Homsey, member of the New York Stock Exchange, and Edward F. Hormel, of Boston; the limited partners are Samuel E. Homsey and Victorine duPont Homsey, of Wilmington, Delaware. The firm will continue in the unlisted securities business in addition to the execution of orders on the New York Stock Exchange.

Formation of the new firm was previously reported in the "Financial Chronicle" of June 23.

#### With Blair & Co.

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—F. Robert Vierling, Jr., has become affiliated with Blair & Co., Inc., 135 South La Salle Street. Mr. Vierling was formerly Elgin representative for A. C. Allyn & Co., with which he had been associated for many years.

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#### Valuations and Appraisals

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## Britain's Crisis Dilemma

By PAUL EINZIG

Hold'ng a distinct precrisis atmosphere has developed in Britain, due to pressure from abroad to enforce Sterling convertibility, Dr. Einzig foresees accentuation of Britain's gold losses because of deterioration in her export position. Says Americans are unable to grasp British difficulties.

LONDON, ENGLAND—Since the beginning of June a distinct precrisis atmosphere has developed in London. It is known that the utmost pressure is brought to bear on the government, both from the United States and from Western European countries, on the matter of the convertibility of Sterling.

Conference follows conference on the subject, in Paris and Brussels and London. There is talk about an American demand that an intra-European payments agreement based on transfer ability of Sterling must be concluded before the end of the month.

On the other hand, news about Britain's dollar position is growing worse. The statement by Mr. Chifley Australia's Prime Minister, that at the present rate the Imperial Dollar Pool would be exhausted in two years, sent cold shivers down the spine of British business men. They know that Sir Stafford Cripps would never allow the gold reserve to be exhausted, and that if the drain should continue a little longer he would have to effect ruthless cuts in dollar allocations, even at the cost of curtailing essential food and raw materials imports. It is feared that the experience of 1947 when the dollar drain caused by the ill-advised premature convertibility of Sterling resulted in a drastic curtailment of dollar expenditure, might repeat itself in the not too distant future.

It now appears that, in addition to supporting the Belgian demand that Belgian export surpluses should largely be financed with the aid of British gold, the United States Government also demands that at least part of the Sterling allocated to Continental countries under the Marshall Plan should be converted into dollars. The supposed object of this demand is that a diversion of Continental demand from British to American goods should result in an equalizing effect as between British and American prices, by tending to cause a decline of the former and a rise of the latter. In reality it is doubtful whether the amounts involved would be sufficiently large to make any perceptible impression on either British or American prices. Moreover, the chances are that Continental holders of convertible Sterling would spend it mainly on dollar goods which would be unobtainable at any price in Britain or the Sterling Area, so that even in theory the diversion of purchases would not tend to produce the desired equalizing effect.

According to the latest information available, Sir Stafford Cripps is determined to resist the pressure in favor of the transferability and convertibility of Sterling, on the ground that Britain simply cannot afford to lose the hundreds of millions of dollars that the adoption of the proposed scheme would lead to. He is equally well ware, however, that Britain could ill afford to antagonize American opinion. On the other hand, a by no means negligible and growing section of British political and expert opinion feels so strongly about this matter that they insist on a refusal of the demand even at the risk of a



Dr. Paul Einzig

drastic cut in Britain's share in Marshall aid. Indeed, some quarters go so far as to say that, rather than yield, Sir Stafford Cripps should prefer to withdraw altogether from the Marshall Plan and work out her salvation with the aid of her own resources and those of the Sterling Area.

It is considered probable that, in face of this situation, Sir Stafford Cripps will accept some form of compromise which would reduce to reasonable proportions Britain's dollar losses arising from the new payments scheme. There have been various suggestions under which Belgium would be prepared to hold a large amount of blocked Sterling under gold guarantee, or she would be willing to lend to Britain the gold which she would withdraw under the proposed arrangement. None of these formulas has been accepted so far, and the experts are hard at work to find some acceptable formula.

What is felt in London is that even in the absence of an accentuation of the drain through intra-European payments, British gold losses are bound to increase owing to the deterioration of the export position. The decline in the amount of exports to the United States only tells part of the story. For a large proportion of the British goods physically transferred to the United States remain unsold and do not, therefore, earn any dollars. Sir Stafford Cripps is still convinced as firmly as ever that a devaluation of Sterling would not help in this respect.

There is a growing degree of pessimism in Britain on account of what is described as the inability of American opinion to understand the British difficulties. It is widely felt that, unless the basic facts of the situation come to be realized on the other side of the Atlantic, there can be no hope of finding a solution.

### Joins Caswell Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Harry V. Flick has become affiliated with Caswell & Co., 120 South La Salle Street, members of the Chicago Stock Exchange.

### Wachob-Bender Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—John L. Reece has been added to the staff of Wachob-Bender Corporation, 212 South 17th Street.

## Business Man's Bookshelf

After Regulation W—Discussion of possible effects of expiration of Federal Reserve control of installment credit—American Bankers Association, 12 East 36th Street, New York 16, N. Y.—Paper.

## Cruttenden & Co. Offers Helicopter Air Stock

An issue of 80,000 shares of 6% convertible class A stock of Helicopter Air Service, Inc. was offered to the public at \$4 per share June 6. Cruttenden & Co., Chicago is the underwriter.

This public financing is the final step in the company's program of preparation for flying the air mail in the Chicago area. Starting July 23, the company will fly 18

shuttle flights daily between the post office roof and Chicago's Municipal Airport. Regularly scheduled helicopter mail flights to 41 towns within a 40-mile radius of the Chicago Municipal Airport will begin according to the following schedule: Aug. 8 north route; Aug. 22, west route; Sept. 6, south route.

July 23 is the effective date of Helicopter Air Service's 5-year certificate from the Civil Aeronautics Board to provide air mail service to towns within a 50-mile radius of Chicago.

## Don L. Greenwood Joins Shearson, Hammill & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Don L. Greenwood has become associated with Shearson, Hammill & Co., 618 South Spring Street. Mr. Greenwood was formerly with Paine, Webber, Jackson & Curtis and Sutro & Co.; in the past he conducted his own investment business.

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### Condensed Statement of Condition, June 30, 1949

#### RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	\$ 598,809,361.92
U. S. Government Obligations	1,072,285,191.53
Loans and Bills Purchased	1,061,252,254.45
Public Securities	\$ 59,470,565.74
Stock of Federal Reserve Bank	9,000,000.00
Other Securities and Obligations	7,639,743.75
Credits Granted on Acceptances	9,851,025.59
Accrued Interest and Accounts Receivable	7,690,264.57
Real Estate Bonds and Mortgages	1,738,283.07
Bank Premises	95,389,882.72
Other Real Estate	4,896,611.15
Total Resources	36,012.78
	\$2,832,669,314.55

#### LIABILITIES

Capital	\$ 100,000,000.00
Surplus Fund	200,000,000.00
Undivided Profits	70,295,433.86
Total Capital Funds	\$ 370,295,433.86
Deposits	\$2,301,105,241.62
Treasurer's Checks Outstanding	90,589,308.63
Total Deposits	2,391,694,550.25
Acceptances	\$ 13,896,617.23
Less: Own Acceptances Held for Investment	3,827,246.55
	\$ 10,069,370.68
Dividend Payable July 1, 1949	3,000,000.00
Items in Transit with Foreign Branches	1,873,167.90
Accounts Payable, Reserve for Expenses, Taxes, etc.	55,736,791.86
	70,679,330.44
Total Liabilities	\$2,832,669,314.55

Securities carried at \$117,203,476.61 in the above Statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

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## Mutual Funds

By HENRY HUNT

### Building a Private Income

"If you want the better than average things in life, you have to do more than wish for them. Some of these things can be bought out of your salary, but you have heard, over and over again, that no one ever got rich on a salary. Most of the people you know who are now enjoying the better than average things of life have a private income. These incomes are, in one way or another, the result of investment.

"You can build yourself a private income. It can be done by mirrors or by wishing. It isn't so much a question of 'Can you save?'; it is more a question of 'Will you save?' Money sitting in the bank is always a great temptation. A new coat or a new car is always a greater temptation when you have a large bank balance. Human nature being what it is, the safest and surest method of building a private income is through systematic investment.

"If you put aside a regular amount of money every month or every quarter of every year and purchase sound equities, you can, over a period of time, build yourself a comfortable private income. By doing it on a systematic basis, you will take your own emotions out of the problem.

"You can choose the common stocks yourself if you have plenty of time and experience necessary to make all the judgments involved. The chances are, however, that you are too busy earning your own salary to spend the proper amount of time on your investment program. One of the most satisfactory vehicles for a systematic investment program is through a diversified management investment company. Through a systematic investment program in its shares, you can invest in the future of the country's industries and your own future private income."—From **The Parker Corporation "Letter."**

### Federal Deficit Financing

First National Bank of Boston's "New England Letter": "For the government to run in the red when national income is over \$200 billion and the Federal debt over \$250 billion, would have a bad psychological effect on confidence. . . . If the budget cannot be balanced when national income is running in excess of \$200 billion, there is grave danger that the government may never again be able to get its financial house in order."—From "These Things Seemed Important," issued by Selected Investment Co. of Chicago.

### "A. B. S." Reports

American Business Shares, Inc., a Lord, Abett investment company, increased its proportionate investment in securities held for income and appreciation during the six months ended May 31 because it is "our conviction that the risks of holding common stocks at the present time are low from the standpoint of long-term investment," Harry I. Prankard, 2nd, President declared on June 28.

In his semi-annual statement to shareholders, Mr. Prankard reported that on May 31 the amount of common and preferred stocks and bonds held for income and appreciation represented 61.9% of the fund's net assets, contrasted with 59% at the end of April and 57.6% on Jan. 31.

"We believe," Mr. Prankard told the stockholders, "that the present decline in business represents only a natural adjustment from the abnormally high levels which have been maintained since the end of the war.

"We do not believe that this decline will grow to the magnitude of a depression, nor do we believe that it will last for a long period of time. Our analyses show that the common stocks which we own represent sound values at present prices, and we believe that we are serving our shareholders best by taking advantage of market declines to increase our holdings in carefully selected issues."

### Progress Through Research

"The reason why the chemical industry has shown such remarkable growth in good times and has been able to hold the line in bad times can be given in one word 'Research.'

"Research is the seeking out of new ideas which lead to new products, to new kinds of business and to cheaper and better ways of creating things.

"The efforts of scientists in hundreds of laboratories have made life easier and happier and safer over the past generation. New drugs such as penicillin save thousands of lives. New textile fibres such as

nylon create better-wearing, better-looking fabrics. Soapless soaps make washing machines really efficient for the first time and save untold household drudgery. New insecticides save the farmer millions in losses and the home owner the nuisance of flies and mosquitoes.

"Even more important, research has provided safety for the nation in wartime. Synthetic rubber stepped in to replace natural rubber cut off from the Orient. The atomic bomb, product of a multi-billion dollar research gamble, was the outstanding weapon of the war.

"For example, during the last year of the war the chemical industry, the first big industry in this country to realize the huge values in research, spent over \$300 million on its scientific laboratories and then employed over 70,000 people on this part of its work.

"Du Pont, largest of chemical producers, alone has over 1,800 technical workers and has long been a leader in spending money in the search for new things. The results speak for themselves. Du Pont's sales in 1948 were four times what they were in 1928 and more than 58% of business came from products that were not in existence 20 years ago."—From **Chemical Fund's "Test Tube."**

### Group Securities Comments

"We expect the present period to be regarded, in future years, as one of the outstanding investment opportunities of this era," states **Group Securities, Inc.** In its semi-annual report made public on June 28.

Regarding the immediate business outlook, this large Mutual Fund takes an equally optimistic position stating, "that the demands accumulated through 15 years of depression and war are so great that in combination with large income, savings and money supply they provide a substantial floor under our commodity price structure not too far below current prices. We expect some time this year a renewed willingness to spend of sufficient volume to provide production and employment at relatively high levels for several years. As contrasted with the postwar 'scarcity boom' now ending, our prosperous postwar expansion period is yet to come."

Among the reasons cited for optimism are peak personal savings, "the still tremendous accumulated demand for automobiles, construction and business spending for plant and equipment."

## More Salesmanship Will Bring Public Into Stock Market!

By JOHN DALTON

Writer ascribes lack of public interest in stocks to lethargy in securities salesmanship. Says investors are more anxious than ever about securities they own, and by direct action of salesmen must be educated up to present cheapness of stocks.

Much has been written about the cheapness of stocks and how much the stock market has not kept pace with business over the past two and one-half years and what great possibilities there are in the stock market at the present time. Yet, with all these well written articles by prominent writers and economists, what is being done about it? Public interest in the market has certainly not increased as can be seen by the low daily volume.

This writer recently called on an old friend who is senior partner in a very small over-the-counter firm having only five or six salesmen. The first question asked was "how is business?" Expecting to receive a very sarcastic reply the writer was very agreeably surprised to hear him say, "We have no kick coming." "But," replied the writer, "how do you do so well when almost everyone in the Street complains about business being so poor?" His reply was that his men worked very hard on making calls. "We do not sit around the office expecting business to come to us. Our salesmen do not continually watch the ticker and if the averages drop down a few cents, or maybe a dollar, bemoan the fact. We do not send out hundreds of letters for we know that we would probably get no replies. We do know, however, that there are thousands of stockholders whose stocks cost them from 10 to 25 or even more points above the present market. It is these people, we believe, that should be called on personally and an idea given to them on just where they stand. The few salesmen we have, of course, can make only a limited amount of calls a day, and some of them are making calls in the evening, but the point I wish to bring out to you is the fact they are continually making calls. We, therefore, believe it is the personal call that counts more than flowery letters or circulars. That is why I say we have no kick coming."

This seems to be excellent advice. As proof of it the writer was talking to a salesman who called on an investor whom he had never met before and never knew any-

body who had even heard of the investor. The investor had 30 shares of a stock selling around \$9 per share. The value being only \$270. After talking a while the salesman found that the investor was very well off financially. The final result was that the salesman came away with an order for \$5,000 worth of another stock selling around \$25 per share. He also found that the investor paid little attention to letters and circulars because he did not have the time or was not interested. It was the personal call that put the order over.

There never was a time that this writer can recall when investors were more anxious about the securities they owned than the present. It is a time somewhat similar to that during the first World War when people had to be educated to buying Government bonds. Today the public must be again educated to the cheapness at which stocks are at present selling and also to the fact that the stock market has not participated in the greatest prosperity the country has ever seen.

The old adage "Everybody talks about it but nobody does anything about it" fits in very well with the present business condition in Wall Street today.

### William J. McMillan Dead

William J. McMillan of Chicago died at his home at the age of 91. Mr. McMillan was formerly an officer of M. K. Fairbanks Company and was later connected with the investment firm of R. E. Wilson & Co.

### Buckley Bros. Adds

(Special to THE FINANCIAL CHRONICLE)  
**LOS ANGELES, CALIF.**—Leroy D. Pruhs and Bert E. Savage have joined the staff of Buckley Brothers, 530 West Sixth Street.

We are pleased to announce the election of

**JAMES H. ESCHER**

and

**HAROLD X. SCHREDER**

as Vice Presidents

Mr. Escher, who has been a partner of Dresser & Escher, has joined our company as Sales Manager.

Mr. Schreder, Economist of our organization since 1942, assumes charge of our Investment Research Department.

**DISTRIBUTORS GROUP, INCORPORATED**

63 Wall Street, New York 5, N. Y.

# Business Activity Is Gradually Declining

[Reprinted from July issue of the "Business Bulletin," issued by LaSalle Extension University, a correspondence institution, Chicago, Illinois]

Business trends are downward but changes continue to be gradual and moderate in amount. Activity in production and sales is more favorable than many prevailing attitudes. Decline from peak has been about 10%. Sustaining influences still strong. Agricultural prospects good.

Midyear business activity and industrial production are high, but are slackening. Factory operations are being curtailed to a somewhat greater extent than usual, employees are being laid off in fairly large numbers or having their working hours reduced, business expansion programs are being deferred, and new orders received by manufacturers have dropped to the lowest level in three years. All these indicators and many others show that at last the postwar readjustment is under way, and so far has given no significant signs of reversing. Yet, it is relatively mild and can be better characterized as a period of dullness rather than as a marked recession. It also started from an extremely high peak and most of the postwar advance has been retained.

## Production Down 10%

Current business conditions can be measured by a variety of indicators, each of which has its special value. One of the most comprehensive is that of total business volume as represented by financial transactions in the banking system. That volume is now about 4% lower than it was a year ago and, except for the temporary boost during the holiday buying period last year, is but little more than that percentage below the peak. Total industrial production, including the output of both factories and mines, is another significant indicator of business conditions. The general index of this production is within 10% of the peak and more than 75% above the average of the prewar years.

Business is on a high plateau which is tilting somewhat downward but still quite stable. It shows no significant signs of sliding rapidly even though this summer will be the duller in three years. Only an extended work stoppage in one or more major industries would be significant enough or strong enough to push the general level sharply lower. Gradual falling off is the more likely trend during the next few months.

## Forces That Sustain Business

Trends in industry and trade are always the result of many conflicting forces and tendencies which work in opposite directions and with varying strengths. The general average will move upward or downward, depending on which of the opposing forces is the stronger. In this tug of war at the present time, the two are not far from evenly balanced although the greater strength appears to be shifting rather definitely to the side of those which bring about a curtailment of business and of factory output.

Much of the business news in recent weeks has strengthened the general expectations that activity in most industries would show some falling off now that supplies in most lines have caught up with demand. Piecemeal readjustments have been going on for over two years but during that time the increases in other lines offset those reductions. One of the first of the changes was in the sale of luxury goods which started to fall off in 1946. Then came the falling off in the output of machine tools, rubber tires, radios, textiles, shoes, trucks, furniture, and household equipment. In some of these lines a few signs have appeared that the readjustments may be about completed although none have as yet definitely turned upward. Increased emphasis on increased productivity and added sales promotion is one of the encouraging

indications that the period of correction has been used to improve efficiency and to utilize the stimulus of competition to turn out goods of better quality at lowest cost. That policy has been the major one accounting for economic progress.

An even more tangible indicator of the forces which sustain business is the high level at which consumers are buying. Retail sales have declined by about 5% but they are higher than in any year preceding last year. People are buying in large quantities not only in retail stores but also among all kinds of service industries. Sales continue to drop in a number of lines, especially among such luxury items as furs, jewelry, liquors, and the higher-priced goods of many kinds. Much of this reduction, however, is offset by added purchases of the moderately priced items. People are also purchasing large quantities of consumer-durable goods, especially such items as television sets and automobiles.

## Consumer Purchasing Power High

Demand for consumer goods will continue to be high as long as the combination of large current incomes and the willingness to spend that income prevails as it has for a long time. Income per person after taxes is very close to the annual rate of \$1,290, which is 20% higher than it was three years ago and 140% above the 1939 level. Among some groups further advances are taking place although increased wage rates which are being granted are offset to some extent by fewer hours worked, by increased unemployment, and by the curtailment of expansion plans due to higher costs.

Real purchasing power of the income after taxes which is received by each person has been holding steady, however, because prices are gradually becoming lower. During most of the last three years, living costs have gone up more than incomes, although previous to that time the incomes had gone up most. The net gain was more than 40% above the 1939 relationship. Trends in living costs now is downward, however, and the purchasing power of those persons still employed is gradually increasing. Output per man-hour is also rising slowly so that unless volume is greatly reduced unit costs of production are becoming less. A wider margin between selling prices and costs is an essential for sustained and expanding business activity.

Total personal income has been holding slightly above the level of last year and within 4% of the peak which was reached in December. The annual rate is now about \$210,000,000,000, as compared with around \$97,000,000,000 in 1941. Current incomes are enough to purchase close to the same amount of goods and services as those of a year ago did and thus they are sufficient to maintain a high level of production.

The comparison between incomes, prices, and production does indicate that the relationship between them is significant in determining what the future trends will be in many fields of business. A broader understanding of these

fundamentals will help leaders in business, labor and government adopt and carry out policies that will bring about a better balance in the economic system and thus help maintain prosperity on a more permanent basis. Current changes in these relationships will be watched with special interest by businessmen in their planning for the future.

The purchasing power of large numbers of people is indicated by the weekly earnings of employees engaged in manufacturing. According to the United States Bureau of Labor Statistics, weekly earnings are very close to the peak, which is over \$52. The prewar weekly average was under \$25. The weekly earnings of factory workers are 135% higher than for the 1935-1939 average, while the index of consumer prices has risen only 69%. Other groups have also received increases in incomes which in many

cases exceed the 100% rise in the general level of commodities at wholesale and the somewhat smaller rise in the cost of living.

Average hourly earnings have risen to \$1.30 and in some lines the amount is being pushed even higher. The average advance in the last year was about 5%. The number of hours worked has dropped from 46 during the war to less than 40 now. The current work-week is about the same as that during the prewar years.

The comparison between hours worked and the weekly earnings is significant because it indicates not only that the purchasing power of large numbers of people has increased but also that the changes in labor costs have been marked. Allowance must be made, of course, for changes in productivity which normally has increased over a long period at about 2% a year. Technological

progress by engineers and managers may be able to speed up that increase and raise the output per man-hour as much as 3% a year, although that rate has not yet been achieved. Allowance must be made for the possibility that increased efficiency on the part of the individual workers may absorb some of the added cost per hour of work. Only in these ways can higher costs be met without raising the prices of finished products or curtail employment and thus reduce the purchasing power of those who must buy these products. Dollars received in income constitute only one aspect of real purchasing power.

Current incomes of individuals are being reinforced by larger reserves in the hands of many people according to the Institute for the long-term

(Continued on page 34)

## THE NATIONAL CITY BANK OF NEW YORK

Head Office: 55 Wall Street, New York



Condensed Statement of Condition as of June 30, 1949  
Including Domestic and Foreign Branches

(IN DOLLARS ONLY—CENTS OMITTED)

ASSETS		LIABILITIES	
CASH, GOLD AND DUE FROM BANKS	\$1,411,285,601	DEPOSITS	\$4,579,501,332
U. S. GOVERNMENT OBLIGATIONS (Direct or Fully Guaranteed)	1,721,538,249	LIABILITY ON ACCEPTANCES AND BILLS	\$26,005,891
OBLIGATIONS OF OTHER FEDERAL AGENCIES	22,202,830	LESS: OWN ACCEPTANCES IN PORTFOLIO	9,499,403
STATE AND MUNICIPAL SECURITIES	259,724,400	ITEMS IN TRANSIT WITH BRANCHES	19,307,844
OTHER SECURITIES	100,953,439	RESERVES FOR:	
LOANS AND DISCOUNTS	1,367,519,727	UNEARNED DISCOUNT AND OTHER	
REAL ESTATE LOANS AND SECURITIES	2,357,688	UNEARNED INCOME	6,301,862
CUSTOMERS' LIABILITY FOR ACCEPTANCES	15,988,075	INTEREST, TAXES, OTHER ACCRUED EXPENSES, ETC.	24,536,325
STOCK IN FEDERAL RESERVE BANK	7,500,000	DIVIDEND	4,650,000
OWNERSHIP OF INTERNATIONAL BANKING CORPORATION	7,000,000	CAPITAL	\$124,000,000
BANK PREMISES	27,283,992	SURPLUS	126,000,000
OTHER ASSETS	2,018,473	UNDIVIDED PROFITS	44,568,623
Total	\$4,945,372,474	Total	\$4,945,372,474

Figures of Foreign Branches are as of June 25, 1949.

\$298,657,761 of United States Government Obligations and \$14,568,443 of other assets are deposited to secure \$210,822,686 of Public and Trust Deposits and for other purposes required or permitted by law.

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

Chairman of the Board  
WM. GAGE BRADY, JR.

Chairman of the Executive Committee  
W. RANDOLPH BURGESS

President  
HOWARD C. SHEPHERD

## CITY BANK FARMERS TRUST COMPANY

Head Office: 22 William Street, New York



Condensed Statement of Condition as of June 30, 1949

(IN DOLLARS ONLY—CENTS OMITTED)

ASSETS		LIABILITIES	
CASH AND DUE FROM BANKS	\$20,255,553	DEPOSITS	\$85,962,411
U. S. GOVERNMENT OBLIGATIONS (Direct or Fully Guaranteed)	78,397,363	RESERVES	3,429,663
OBLIGATIONS OF OTHER FEDERAL AGENCIES	1,047,962	(Includes Reserve for Dividend of \$310,621)	
STATE AND MUNICIPAL SECURITIES	5,357,649	CAPITAL	\$10,000,000
OTHER SECURITIES	101,037	SURPLUS	10,000,000
LOANS AND ADVANCES	6,727,793	UNDIVIDED PROFITS	9,756,569
REAL ESTATE LOANS AND SECURITIES	1,291,855		29,756,569
STOCK IN FEDERAL RESERVE BANK	600,000		
BANK PREMISES	2,975,233		
OTHER ASSETS	2,394,198		
Total	\$119,148,643	Total	\$119,148,643

\$7,806,376 of United States Government Obligations are deposited to secure \$1,236,958 of Public Deposits and for other purposes required or permitted by law.

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

Chairman of the Board  
W. RANDOLPH BURGESS

President  
LINDSAY BRADFORD

## Canadian Securities

By WILLIAM J. McKAY

The British economic situation is heading rapidly towards its inevitable climax. At the forthcoming meeting of the British Commonwealth Finance Ministers little can be expected in the shape of tangible aid from the Dominions that will serve to bolster the United Kingdom's U. S. dollar position.

Canada has already given advance notice to this effect and the other Dominions, despite their utmost willingness to cooperate, are likewise faced with a similar problem on their own account.

There remains only one course of action that would serve to alleviate the British-U. S. dollar shortage, and that is Sterling devaluation. In the course of Secretary of the Treasury Snyder's current visit to the various European financial centers it will doubtless be revealed that the main stumbling-block to the expansion of exports to this country is the overvaluation of European currencies. Furthermore that any constructive action along these lines is impeded as a result of the blank British refusal to consider exchange adjustment as a possible remedy.

Even within the Commonwealth there can not be complete unity with regard to Britain's adamant stand on the subject of devaluation. South Africa has already resorted to extraordinary measures to place a higher valuation on her vital gold production but this would be automatically accomplished in the event of devaluation of the pound. Australia abstained from following the hasty action of New Zealand at the time of the upward revaluation of the New Zealand pound as it was then confidently anticipated that sterling would be ultimately devalued and the Australian pound would thus automatically attain parity with sterling.

The position of Canada would be even more embarrassing if the Dominion is called upon to concur in a drastic Commonwealth policy designed to maintain at all cost the present artificial level of sterling. This objective can be achieved only by the imposition of further restrictions on imports from hard currency areas, further lowering of the standard of living within the Commonwealth, and the virtual isolation of the sterling bloc from the dollar and European trading areas. As Canada is outside the sterling zone, and on the other hand is irrevocably tied economically to the dollar area, the Dominion clearly could not

commit itself to any policy of this kind.

On the contrary Canada is in the same position as the Western European countries inasmuch as her economic interests would be best served by any scheme that would be conducive to a greater rather than lesser scope of sterling convertibility. It is obvious that the maintenance of the \$4.02 level of the pound precludes any possibility of greater exchange freedom as far as sterling is concerned. On the other hand British agreement to devalue sterling to a realistic level would receive almost universal approval. There would be moreover a general willingness to provide any support that might be necessary to make the new level effective and thereby permit the fullest possible measure of convertibility.

As far as the Dominion is concerned the position of the Canadian dollar is also commencing to provide cause for anxiety. With the abrupt change for the worse in world export markets Canada's own exchange reserves are likely to decline sharply in the coming months. Thus the question of a devaluation of the Canadian dollar can also give rise to serious consideration. For this reason the prolonging of the sterling crisis can only serve to aggravate Canada's own exchange situation. Consequently an early decision in favor of the devaluation of sterling would be beneficial from the Canadian point of view—the Dominion's course of action would be virtually dictated in this event and a Canadian exchange crisis as well as an unnecessary depletion of exchange reserves would thereby be avoided.

During the week the external section of the bond market remained dull and inactive but the internals were again under pressure as a result of the depressing influence of the weakness of sterling. Free funds likewise suffered a sharp setback despite the support provided by the tourist traffic demand. The corporate-arbitrage rate was unchanged at 12½%-12%. Stocks in general moved into higher ground in sympathy with the rally in New York but the golds again were the main attraction. On further strong rumors of currency devaluations the senior golds recorded further strong advances.

### Ben Grody Now With Oppenheimer Firm

Ben Grody has become associated with Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange, in charge of unlisted trading.

Mr. Grody has been in the unlisted security business for many years, and previously conducted his own business at 40 Exchange Place, New York City.



Benjamin Grody

## Bank and Insurance Stocks

By H. E. JOHNSON

### This Week—Bank Stocks

The midyear statements of condition for most New York City banks have now been published. They reveal mixed trends in the totals of the various asset and liability items.

In general the banks during the quarter just ended increased moderately their deposits and total resources. Loan volume was lower reflecting the decline in general business and reduction of inventories. However, there were some exceptions in this category.

As reserve requirements were reduced during the period, the banks had some increase in available funds from this source, these along with the funds received from repaid loans were used to acquire government securities, the holdings of which increased considerably for most of the institutions.

As to earnings, the indications from the reports published so far show a relatively stable situation. While required reserves are higher and earning assets are lower than they were a year ago, higher interest rates on government securities and commercial loans have enabled most banks to maintain earnings.

The indicated earnings for the second quarter of the current year for the institutions which have released statements are shown below and compared with the like period of 1948. The deposit totals loans and discounts outstanding and holdings of U. S. Government securities are also shown as of the end of the last quarter and at the end of last year.

	Per Share		Deposits		000 Omitted	
	Indicated Earnings	Second Quarter	June 30	March 31	Dec. 31	1948
	1949	1948	1949	1949	1949	1948
Central Hanover	\$1.50	\$1.50	\$1,350,500	\$1,325,645	\$1,400,781	
Chemical Bank & Trust	0.72	0.75	1,366,196	1,326,728	1,435,190	
Commercial National	0.83	0.85	174,360	165,922	183,678	
Corn Exchange	1.24	1.24	739,902	750,858	772,123	
First National	20.39	21.59	585,181	511,379	523,324	
Guaranty Trust	3.99	4.30	2,391,695	2,309,540	2,330,237	
Irving Trust	0.29	0.30	1,075,448	1,037,114	1,113,182	
Manufacturers Trust	1.17	1.18	2,234,646	2,111,608	2,223,383	
National City	0.68	0.80	4,665,193	4,534,193	4,731,275	
New York Trust	1.52	1.58	593,249	566,423	642,395	
Public National	1.14	1.19	492,168	484,018	515,991	

\*Includes City Bank Farmers Trust Company.

†Adjusted for stock dividend paid in January 1949.

As shown in the above figures the indicated earnings, which reflect dividends and the changes in book values, have in most cases been maintained near the level of last year. In some instances the figures are below a year ago. When operating earnings for the banks are available it is believed they will be more favorable. For example Guaranty Trust for the six months ended June 30, 1949 reported operating earnings of \$9.40 a share compared with \$9.18 for the same period of 1948. National City and City Bank Farmers for the same periods reported combined earnings of \$1.62 and \$1.57 respectively. Lower securities profits and additions to reserves were responsible in some cases for the lower indicated earnings.

	Loans and Discounts		U. S. Govt. Securities		000 Omitted	
	June 30	March 31	June 30	March 31	Dec. 31	1948
	1949	1949	1949	1949	1949	1948
Central Hanover	\$422,896	\$477,487	\$425,533	\$781,317	\$491,785	\$590,521
Chem. Bank & Trust	482,100	540,433	569,799	466,277	386,884	415,531
Commercial National	42,812	46,034	43,039	99,055	95,662	96,521
Corn Exchange	69,984	70,140	80,285	472,573	462,673	461,611
First National	126,751	104,344	110,333	316,536	377,343	325,611
Guaranty Trust	1,061,252	1,012,290	1,034,411	1,072,285	920,753	951,711
Irving Trust	382,973	419,701	429,049	451,112	370,705	311,168
Manufacturers Trust	577,263	572,764	608,912	988,408	939,831	971,511
National City	1,374,248	1,397,011	1,423,085	1,799,935	1,657,371	1,717,912
New York Trust	243,212	263,255	256,427	233,613	174,310	217,191
Public National	139,928	152,972	140,307	238,859	213,330	248,764

Practically all of the above banks were able to show higher deposits than at the end of March. They were not equal, however, to those of last year and at the end of 1948.

First National, Guaranty Trust and Manufacturers Trust increased their volume of outstanding loans in spite of a generally opposite trend. The most marked change in the composition of assets was in the total of government securities where holdings increased substantially in most instances.

### Signs Point to Greater Prosperity, Says Treasury Under-Secretary Foley

(Continued from page 6)

little if any of the distress liquidation of other years. Through the voluntary action of the banking business as well as through government action, the credit situation has been kept sound.

"Many of you have charge of circulations which reach the rich farming areas of the country. You do not need to be told that agriculture enjoys exceptional financial health. Of the liquid assets I mentioned, \$20 billion belong to farmers. And payments on the farm mortgage debt have brought it down to \$5 billion.

"Population growth is still another basic source of economic strength. We have 17,000,000 more people in America now than we had before the war. The entire population demands a continually improving living standard—more comforts, more advantages, more possessions, more services.

"These are some of the founda-

tion stones of our economic power. Let's look briefly at what might be termed the superstructure.

"We have at our command a dazzling array of new materials, new techniques, new manufacturing processes. Our rubber and chemical industries, to cite two examples, hold great possibilities for the development of new products and new markets. Such things as new medicines and new insecticides will sell far into the millions of dollars. And not even our greatest scientists are willing to prophesy the transformations which may be wrought by atomic energy.

"The fields of electronics, of light metals, of plastics and other synthetic materials, of home equipment—these and many others are certain sources of future great industrial and commercial activity and so of great

opportunity for private enterprise.

"American business is far more of a 'going concern' than it ever was in earlier peacetime periods. For business has invested \$75 billion in new construction and new equipment since the war ended. Still further capital expenditures on a large scale are planned for this year and next. These expenditures are investments in the future of this country. They represent the determination of business to put into use the new materials and new processes which we have developed. The products of that determination will be powerful stimulants to our trade of the future.

"It should not be forgotten that the financial soundness of the United States Government is well established. This is a fact of supreme importance, not only to us but to the entire world. We must, of course, guard that financial soundness well, just as we must guard all other sources of our economic might. We must guard them for our own sake, for the sake of the free peoples of the world who look to us for leadership.

"I said at the beginning of this talk that any golden anniversary was a noteworthy occasion. Anniversaries, and especially those from which we may look down long vistas of years, are vantage points for the correction of our perspectives and for checking our courses.

"To those who may be inclined to skepticism about America's future, I suggest examining the social and economic facts of today carefully, then taking a look back along the course of American history in the half century since the International Circulation Managers' Association came into being. We started that half century with far less promise than we have today. And we came a long way in those 50 years.

"No one can be sure of the shape of things to come. But all the known indicators point to opportunities for further economic progress and continued prosperity beyond anything we have experienced in the past. In my mind, we need only to apply ourselves to the development of these opportunities with determination, with a measure of regard for the general welfare, and—most of all—with confidence."

## COMING EVENTS

In Investment Field

July 8, 1949 (Louisville, Ky.)

Bond Club of Louisville Annual Outing at the Sleepy Hollow Club.

July 27, 1949 (Pittsburgh, Pa.)

Bond Club of Pittsburgh Mid-Summer Picnic at Mill Grove, North Park.

Sept. 9-11, 1949 (Oregon)

Pacific Northwest Group of the Investment Bankers Association 1949 meeting at the Gearhart Hotel, Gearhart, Oregon.

Sept. 9, 1949 (Pittsburgh, Pa.)

Bond Club of Pittsburgh Fall Outing at Chartiers Country Club.

Oct. 5-9, 1949 (Colorado Springs, Colo.)

National Security Traders Association Annual Convention at The Broadmoor Hotel.

Dec. 4-9, 1949 (Hollywood, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Dec. 9, 1949 (New York City)

New York Security Dealers Association 24th Annual Dinner at the Hotel Pierre Grand Ballroom.

### CANADIAN BONDS

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### CANADIAN STOCKS

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# A Model "Laboratory" Investment Fund

By DR. JACOB O. KAMM  
Chairman, School of Commerce  
Baldwin-Wallace College, Berea, Ohio

Dr. Kamm describes the smallest investment fund in world, conducted as laboratory experiment by students of investment in the School of Commerce, Baldwin-Wallace College, Berea, Ohio. Holds it is grass roots type of venture to enable students to observe relationship of investment to the economy.

The world's smallest investment fund reports a return of 12.75% on each dollar held in its fund in the year 1948. This return was considered satisfactory by the investments class students in view of the economic and political uncertainties present during the year. The fund owned and operated by the investment classes was started in 1947 and during that year showed a return of 11.01%. It was started as a laboratory aid in the investment classes to enable the students to better understand the application of theoretical investment principles.



Dr. Jacob O. Kamm

As an educational innovation the fund has received enthusiastic approval of the students, for they now are able to see the value of what they are studying.

Each investments class elects its officers who conduct class meetings and oversee the operation of the class fund. The class members suggest purchases and sales, and by a two-thirds vote determine action to be taken with respect to these suggestions. Stock certificates, dividend checks, proxy statements, stock powers, annual reports, and similar data are circulated among the class members as they are received.

Such investment principles as security of principal, marketability, stability of income, and diversification are put into operation by the students. The class members upon receipt of a suggested purchase follow a routine in analyzing the security issue involved. They analyze the present and past financial statements by the application of established ratios. They send a committee to investigate the actual plant operations, the company's management, labor relations, and similar information. They analyze the proposed security issue in relation to their present portfolio and in relation to broad economic trends. If all of these are favorable to the purchase of the issue, the suggested purchase is presented by the screening committee of the class along with other suggested purchases to the entire class who vote on the purchase. A two-thirds majority vote is needed for approval of a suggested purchase. The sale of an issue is handled in the same manner as a purchase except that the procedure is not as detailed. There is usually no need for a field check, and the financial data are immediately available.

## Growth of Fund's Assets

The fund's assets today amount to \$611. At the close of 1948 the fund amounted to \$527.91, and at the close of the fund's first year of operation which came on December 31, 1947, the fund totaled only \$44.81. The fund was originally started with \$100.00 contributed by the class teacher. It thus has grown over 600% in its two and one-half years of operation. In 1948 the fund grew 53% through dividend receipts, capital gains and gifts. Since the beginning of 1949, the principal of the fund has expanded 16% by receipts from these three sources.

The fund's return is computed on the basis of the average number of dollars held in the fund over the year. Since the fund has been growing ever since it was first established, the average number of dollars in the fund is greater than the fund's total assets at the beginning of the year.

## Distribution of the Fund's Assets

The fund's assets are distributed by the following percents over these industries: 4.09% in food processing; 25.0% in steel producing; 19.76% in building supply; 11.91% in retail drug; 8.97% in shipping; 17.80% in auto parts manufacturing; 9.94% in an investment trust; and 2.52% in cash. The cash account varies from time to time because of the sale of security holdings, receipt of dividends, and the receipt of gifts. Considering the limited size of the fund it is interesting to note the extent of the diversification which has been obtained.

Fifty-one shares of stock are held. No bonds are held because of the fund's limited size.

## Function of the Fund

The function of the fund is to serve as an aid to students so they more thoroughly learn the principles of investment and the application of those principles. From this view it is relatively unimportant whether the fund shows a good return or not, for if it does not the students have the opportunity of analyzing the reasons for the low return. They thus are in a position to learn from past errors. Certainly one of the best ways of learning is by doing, and this is what the fund has enabled the students to do.

Professor Schumpeter of Harvard University has made well-known the thesis that capitalism is destroying itself because it is too successful; that is, the large corporations are getting so large that many small business firms are being eliminated. Much of the vitality in the capitalistic system has come from the smaller firms. One might carry this analysis over to the investment field. The small investor has seemingly deserted the investment field to the large individual investors, the institutional investors, and the professional speculators. It is highly desirable to have a nation with intelligent small investors.

The class fund is enabling students to observe the relationship of investment to the entire economy. It is a grass-roots type of venture. It might well be true that if more Americans understood a little more about what our system is and does and how they are expected to function in it, the system would operate more smoothly. The fund points up the fact that an investor with limited means can obtain diversification of his holdings, can obtain a fair return on his funds without taking undue risk, and can follow a successful investment policy. Students realize the relationship of saving to investment, that investment is not only for the wealthy investor, and that individual effort is compensated for in our system by larger returns. Students who never had learned to

save had become investors when their six months training program in investments ended. The ideas expressed here are familiar to most of us, but they seem new to the generation which has grown up in the last two decades.

## With Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)  
MINNEAPOLIS, MINN.—Eugene E. DeLey has joined the staff of Central Republic Company, Rand Tower.

## With J. W. Goldsbury

(Special to THE FINANCIAL CHRONICLE)  
MINNEAPOLIS, MINN.—Clarence Lowen has become affiliated with J. W. Goldsbury & Co., 807 Marquette Avenue.

## Two With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)  
MINNEAPOLIS, MINN.—Charles A. Becker and John C. McCarthy have become connected with John G. Kinnard & Co., 71 Baker Arcade.

## King Merritt Adds Two

(Special to THE FINANCIAL CHRONICLE)  
MINNEAPOLIS, MINN.—John Hollenhorst and John K. Ploof have become associated with King Merritt & Co., Inc., Pence Bldg.

## With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Glen B. Boldemann has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

## With Herbert Burt & Co.

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—Bernadette Surprenant is now connected with Herbert Burt & Company, 209 South La Salle Street.

## Pelton Joins Denton

(Special to THE FINANCIAL CHRONICLE)  
HARTFORD, CONN.—Harold K. Pelton has become affiliated with Denton & Co., Inc., 805 Main Street.

## Draper, Sears Co. Adds

(Special to THE FINANCIAL CHRONICLE)  
PORTLAND, MAINE—Dean Kalbfleisch has joined the staff of Draper, Sears & Co., Boston.

# THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, JUNE 30, 1949

## RESOURCES

Cash and Due from Banks . . . . .	\$1,291,193,007.71
U. S. Government Obligations . . . . .	1,723,449,124.79
State and Municipal Securities . . . . .	49,956,017.81
Other Securities . . . . .	134,941,141.62
Loans, Discounts and Bankers' Acceptances . . . . .	1,382,631,244.13
Accrued Interest Receivable . . . . .	10,719,325.05
Mortgages . . . . .	29,182,188.81
Customers' Acceptance Liability . . . . .	14,968,860.76
Stock of Federal Reserve Bank . . . . .	7,950,000.00
Banking Houses . . . . .	29,825,508.28
Other Assets . . . . .	2,404,984.68
	<u>\$4,677,221,403.64</u>

## LIABILITIES

Deposits . . . . .	\$4,283,944,130.36
Dividend Payable August 1, 1949 . . . . .	2,960,000.00
Reserve for Taxes, Interest, etc. . . . .	11,539,860.53
Other Liabilities . . . . .	11,385,170.76
Acceptances Outstanding \$ 17,834,942.09	
Less Amount in Portfolio 1,583,293.81	16,251,648.28
Reserve for Contingencies . . . . .	20,172,230.46
Capital Funds:	
Capital Stock . . . . .	\$111,000,000.00
Surplus . . . . .	154,000,000.00
Undivided Profits . . . . .	65,968,363.25
	<u>330,968,363.25</u>
	<u>\$4,677,221,403.64</u>

United States Government and other securities carried at \$296,162,045.00 are pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS  
NEW BRANCHES  
NEW OFFICERS, ETC.  
REVISED  
CAPITALIZATIONS

William A. M. Burden, former Assistant Secretary of Commerce, was re-elected a Trustee of Central Hanover Bank and Trust Co. of New York on July 5. Mr. Burden previously served as a Trustee of the bank from 1940 to 1944, when he resigned to devote his entire time to the duties of his government position. He is active in aviation circle and is President of Institute of the Aeronautical Sciences, Inc., and author of "The Struggle for Airways in Latin America." Mr. Burden is a Director of Cerro de Pasco Copper Corp., South American Development Co., Union Sulphur Co., Inc., and the American Metal Co., Ltd., and a Trustee of the Museum of Modern Art.

Harry M. Lyter has been appointed a Personal Trust Officer of the Chase National Bank of New York. Mr. Lyter, who was a Commander in the United States Navy when he completed four years of wartime service, has been with the Chase Trust Department since 1929.

The Corn Exchange Bank Trust Company of New York, announces the promotion to Vice-President of Assistant Vice-Presidents, Paul F. Bubendey, Albert Franke, Jr., and Edward R. Welles.

John T. Madden, President of the Emigrant Industrial Savings Bank of New York, announced on June 19 that the board of trustees has appointed Robert A. Gay, an Assistant Vice-President. Mr. Gay has been with the bank for 10 years and for the past two years has been Personnel Officer.

The Quarter Century Club of the East River Savings Bank of New York, held its annual dinner in the Rainbow Grill, on June 23. Among the 26 members of the club, there are four trustees, including—Dr. Antonio Pisani, Percy C. Magnus, Edward F. Barrett and Lester Van Brunt. William G. Terlinde, Vice-President of the bank and President of the club presided at the meeting. Following a reception, greetings were extended by Joseph A. Broderick, President of the bank.

The Chemical Bank & Trust Company of New York through its Chairman, N. Baxter Jackson, has announced that, following negotiations which have been in progress for some time, it will acquire on July 1 the business of the New York Agency of the Banque Diamantaire Anversoise, S. A., Antwerp, Belgium. This institution, which has always held a prominent position in the diamond industry, established its New York Agency shortly after the war began in order to facilitate the conduct of its American business. Banque Diamantaire Anversoise has now decided to return to the former method of operating in this market through its New York correspondent; hence, Chemical Bank, Mr. Jackson stated, is succeeding to the extensive relationships which the Banque has developed in the financing of the industry. Paul J. Timbal, Managing Director since the New York Agency was established, and Michael Romanenko, Manager, will become associated with Chemical Bank and will be located at the latter's Rockefeller Center Office, 11 West 51st Street. Mr. Timbal will continue as a Director of the Banque Diamantaire, and will maintain for Chemical Bank his contacts with the

diamond markets of London and Antwerp.

TITLE GUARANTEE AND TRUST COMPANY, NEW YORK			
	June 30, '49	Apr. 11, '49	
Total resources	\$66,109,457	\$66,437,200	
Deposits	56,452,047	57,425,300	
Cash and due from banks	13,612,349	14,612,800	
U. S. Govt. security holdings	15,902,815	13,234,800	
Loans and bills discounted	20,160,422	26,437,300	
Surplus and undivided profits	3,578,906	3,688,600	

CHEMICAL BANK & TRUST COMPANY, NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total res.	\$1,516,621,319	\$1,472,104,362	
Deposits	1,366,195,960	1,326,728,077	
Cash and due from banks	443,979,908	421,990,548	
U. S. Govt. security holdings	466,237,326	386,884,354	
Loans and bills discounted	482,100,262	540,438,675	
Undiv. profits	12,160,291	11,483,297	

I. P. MORGAN & CO. INCORPORATED, NEW YORK			
	June 30, '49	Mar. 31, '49	
Total resources	\$611,460,129	\$628,389,182	
Deposits	537,765,991	554,197,717	
Cash and due from banks	152,871,613	183,213,732	
U. S. Govt. security holdings	236,878,738	217,635,937	
Loans and bills discounted	175,259,039	183,076,123	
Undivided profits	19,874,117	19,580,773	

CORN EXCHANGE BANK AND TRUST COMPANY, NEW YORK			
	June 30, '49	Mar. 31, '49	
Total resources	\$789,026,858	\$799,116,889	
Deposits	739,902,018	750,857,863	
Cash and due from banks	220,303,315	236,506,717	
U. S. Govt. security holdings	472,575,324	462,675,448	
Loans and bills discounted	69,984,293	70,139,615	
Undivided profits	5,844,681	5,442,947	

THE PUBLIC NATIONAL BANK AND TRUST COMPANY, NEW YORK			
	June 30, '49	Mar. 31, '49	
Total resources	\$529,999,509	\$521,042,228	
Deposits	492,168,048	484,017,634	
Cash and due from banks	124,714,304	127,403,117	
U. S. Govt. security holdings	14,523,866	213,329,946	
Loans and bills discounted	139,927,766	152,971,635	
Undivided profits	8,494,639	8,142,446	

THE MARINE MIDLAND TRUST CO. OF NEW YORK			
	June 30, '49	Mar. 31, '49	
Total resources	\$313,154,358	\$319,711,941	
Deposits	287,221,440	293,425,997	
Cash and due from banks	98,855,230	97,414,617	
U. S. Govt. security holdings	94,550,813	83,416,938	
Loans and bills discounted	109,258,773	128,261,694	
Undivided profits	5,032,988	4,804,578	

STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK			
	June 30, '49	Mar. 31, '49	
Total resources	\$143,283,955	\$141,739,793	
Deposits	135,529,536	133,993,492	
Cash and due from banks	38,636,087	39,798,153	
U. S. Govt. security holdings	78,500,623	68,664,335	
Loans and bills discounted	24,752,489	31,157,221	
Undivided profits	837,153	784,601	

TRACE NATIONAL BANK, NEW YORK			
	June 30, '49	Mar. 31, '49	
Total resources	\$105,655,567	\$104,396,424	
Deposits	88,707,620	92,605,598	
Cash and due from banks	29,067,627	29,260,039	
U. S. Govt. security holdings	45,306,584	44,349,801	
Loans and bills discounted	24,368,292	22,960,605	
Surplus and undivided profits	4,366,208	4,288,824	

IRVING TRUST COMPANY, NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total res.	\$1,205,668,130	\$1,166,717,061	
Deposits	1,075,448,137	1,037,114,002	
Cash and due from banks	334,720,315	337,757,199	
U. S. Govt. security holdings	451,101,729	370,705,264	
Loans and bills discounted	382,972,979	419,701,410	
Undiv. profits	12,393,372	11,942,037	

NATIONAL CITY BANK OF NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total res.	\$14,945,372,474	\$14,802,599,350	
Deposits	4,579,501,332	4,444,516,006	
Cash and due from banks	1,411,285,601	1,419,660,247	
U. S. Govt. security holdings	1,721,538,249	1,572,195,071	
Loans and bills discounted	1,367,519,727	1,393,086,182	
Undiv. profits	44,568,623	42,888,789	

CITY BANK FARMERS TRUST COMPANY, NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total res.	\$119,148,643	\$122,620,081	
Deposits	85,962,411	89,677,305	
Cash and due from banks	20,255,553	19,133,266	
U. S. Govt. security holdings	78,397,363	85,176,429	
Loans and bills discounted	6,727,793	3,925,004	
Undiv. profits	9,756,569	9,682,952	

MANUFACTURERS TRUST COMPANY, NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total res.	\$2,407,481,056	\$2,284,465,405	
Deposits	2,234,645,610	2,111,607,796	
Cash and due from banks	755,927,142	675,610,338	
U. S. Govt. security holdings	988,407,905	939,830,530	
Loans and bills discounted	577,362,541	572,763,556	
Undiv. profits	30,860,436	29,581,941	

CENTRAL HANOVER BANK AND TRUST COMPANY, NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total res.	\$1,495,176,255	\$1,469,962,172	
Deposits	1,350,499,537	1,325,645,849	
Cash and due from banks	419,803,128	422,143,859	
U. S. Govt. security holdings	581,317,155	491,795,352	
Loans and bills discounted	422,896,181	477,487,588	
Undiv. profits	110,621,548	110,075,849	

GUARANTY TRUST COMPANY OF NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total res.	\$2,832,669,315	\$2,757,990,219	
Deposits	2,391,694,550	2,309,540,276	
Cash and due from banks	598,809,362	697,335,740	
U. S. Govt. security holdings	1,072,285,192	920,757,578	
Loans and bills discounted	1,061,252,254	1,012,290,014	
Undiv. profits	70,295,434	69,303,285	

BANK OF THE MANHATTAN COMPANY, NEW YORK			
	June 30, 1949	Apr. 11, 1949	
Total res.	\$1,170,112,555	\$1,131,058,000	
Deposits	1,061,901,255	1,047,450,100	
Cash and due from banks	318,686,331	329,294,900	
U. S. Govt. security holdings	334,558,533	309,605,500	
Loans and bills discounted	437,452,548	449,419,200	
Undiv. profits	13,031,427	12,290,500	

FULTON TRUST COMPANY OF NEW YORK			
	June 30, 1949	Apr. 11, 1949	
Total resources	\$36,158,041	\$37,957,900	
Deposits	30,426,271	32,253,000	
Cash and due from banks	8,320,073	9,262,606	
U. S. Govt. security holdings	16,205,853	17,147,000	
Loans and bills discounted	2,288,728	2,572,400	
Undivided profits	1,391,094	1,392,400	

THE COMMERCIAL NATIONAL BANK AND TRUST COMPANY OF NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total resources	\$203,691,110	\$193,889,271	
Deposits	174,359,969	165,922,300	
Cash and due from banks	53,236,724	47,125,907	
U. S. Govt. security holdings	99,054,564	95,601,768	
Loans and bills discounted	42,811,746	46,033,514	
Surplus and undivided profits	14,302,042	14,185,179	

J. HENRY SCHRODER BANKING CORP., NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total resources	\$83,816,979	\$68,273,362	
Deposits	65,560,443	49,350,666	
Cash and due from banks	10,446,959	6,554,706	
U. S. Govt. security holdings	44,831,275	31,279,004	
Loans and bills discounted	12,547,691	14,072,138	
Surplus and undivided profits	3,294,985	3,291,280	

SCHRODER TRUST COMPANY, NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total resources	\$4,472,167	\$4,807,182	
Deposits	29,006,367	39,610,282	
Cash and due from banks	10,506,745	15,548,585	
U. S. Govt. security holdings	17,246,361	21,759,891	
Loans and bills discounted	5,674,404	6,578,870	
Surplus and undivided profits	2,632,189	2,629,167	

CLINTON TRUST COMPANY, NEW YORK			
	June 30, 1949	Mar. 31, 1949	
Total resources	\$25,567,524	\$25,371,622	
Deposits	23,681,474	23,499,999	
Cash and due from banks	7,521,062	7,057,148	
U. S. Govt. security holdings	11,351,612	11,269,913	
Loans and discounts	3,500,857	5,645,611	
Surplus and undivided profits	878,771	865,385	

The promotion of Peter D. Crawford, Sigmund M. Hadel and Ralph W. Noreen from the posts of Assistant Secretary to the office of Vice-President, was announced by the Irving Trust Company of New York on June 30. Mr. Crawford

was appointed Assistant Secretary in September 1948 and Mr. Hadel was named Assistant Secretary in January, 1945. Mr. Noreen, who has served as Assistant Secretary in several of the company's activities, joined the official staff of the Loan Administration Division at the main office on July 1. It is also announced that Kenneth K. King, Jr., has been appointed Assistant Secretary. Mr. King in 1947 joined the staff of the Irving's office in the Empire State Building.

Central Savings Bank of New York is celebrating the 90th anniversary of its opening which occurred on July 1, 1859. James T. Lee, President, points out that total deposits of the bank now exceed \$290,000,000 as compared with \$7,670.68 on hand at the close of the first day of business 90 years ago. During the same period the number of depositors has increased from 44 to 183,839. The bank—which has paid dividends without interruption since 1859, aggregating over \$212,000,000—recently announced an increase in its latest dividend rate of 2% per annum. Mr. Lee notes that when the bank was organized, radios, telephones, airplanes, automobiles and many banking conveniences available today were unknown. At that time the bank occupied offices in the Cooper Union Building where, several months later, Abraham Lincoln was to deliver his address against slavery. In 1872 the bank constructed the present building at 4th Avenue and 14th Street, and in 1928 it opened its Uptown Office at Broadway and 73rd Street.

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.			
	June 30, '49	April 11, '49	
Total resources	\$55,847,168	\$50,877,300	
Deposits	46,248,551	41,383,800	
Cash and due from banks	14,372,985	9,971,500	
U. S. Govt. security holdings	22,418,072	22,432,500	
Loans and bills discounted	2,321,817	2,075,900	
Surplus and undivided profits	8,319,863	8,322,800	

George C. Johnson, President of The Dime Savings Bank of Brooklyn, N. Y., announces that word has been received from the New York State Banking Department, granting permission to "The Dime" to open a new branch office on Mermaid Avenue in the Coney Island section of Brooklyn. This new branch will offer a complete savings bank service to nearly 100,000 residents of the expanding Coney Island area. As noted in these columns June 16, page 2599, "The Dime" is celebrating its 90th anniversary (June, 1949)—with a record of 90 years of service to the community and 90 years of consecutive dividends to depositors. Today's resources amount to over \$592 million, with 291,172 depositors listed on "The Dime's" records, as compared to 204,504 10 years ago. The total amount on deposit in June of 1939 was \$196,487,000—the total today has soared to \$592,167,000, and, in addition, there is \$1,789,200 in school savings and Christmas Club deposits. "The Dime's" main office is located at Fulton Street and DeKalb Avenue in Brooklyn, and the other two branch offices are at 86th Street and 19th Avenue in Bensonhurst and at Avenue J and Coney Island Avenue in Flatbush.

BROOKLYN TRUST COMPANY, BROOKLYN, N. Y.			
	June 30, 1949	Mar. 31, 1949	
Total resources	\$230,719,560	\$228,045,685	
Deposits	212,931,714	210,628,165	
Cash and due from banks	64,167,657	60,722,517	
U. S. Govt. security holdings	123,544,039	125,661,768	
Loans and bills purchased	27,776,626	28,895,562	
Undivided profits	1,735,639	1,930,277	

The Port Washington National Bank & Trust Company of Port Washington, N. Y., changed its title to the Port Washington-Manhasset National Bank on June 13,

it is learned from the June 20 "Bulletin" issued by the office of the Comptroller of the Currency.

A merger of the Capitol National Bank & Trust Company of Hartford, Conn. with the Phoenix State Bank & Trust Company of Hartford was approved by the directors of the two institutions on June 17—the merger to be effected by an exchange of stock. An announcement by O. M. Hibler, Secretary of the Phoenix as given in an item by A. E. Magnell, in the Hartford "Courant" of June 20, said in part:

"The exchange would be effective by fixing the capital of the resulting corporation at \$2,750,000. Of this, Capitol stockholders would be entitled to 2½ shares of the new corporation for each share of their holdings in Capitol. Phoenix stockholders, upon completion of the contemplated stock dividend of Phoenix, would be entitled to one share of the new corporation for each share of their holdings in Phoenix, which would be represented by their Phoenix shares without further conversion. After merger, the stockholders of Phoenix would have a total of \$2 million or 80,000 shares of Capitol in the combined bank. The stockholders of Capitol would have \$750,000 or 30,000 shares.

The present par value of the stock of the Phoenix is being reduced from \$100 per share to \$25, reference to this having been made in our issue of June 16, page 2600. The Phoenix bank is in its 135th year, while the Capitol was established in 1926.

Approval

# Woollen Explains ABA Opposition to Merger of Bank Supervisory Agencies

In talk to state banking associations, President of ABA says recommendation of Hoover Commission of a single Federal Agency would destroy system of checks and balances and would not result in savings to government.

In recent talks before state banking conventions, Evans Woollen, Jr., President of the American Bankers Association and Chairman of the Board of Fletcher Trust Company, Indianapolis, Ind., explained the grounds of the ABA opposition to the proposal of the Hoover Commission to centralize the activities of the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation under a single agency.



Evans Woollen, Jr.

Commenting on this topic, Mr. Woollen stated: "Recently over the radio and in the public press, the ABA, has been criticized as objecting to the Hoover Commission's report. Let us get the record straight. We favor government reorganization of the kind that produces efficient administration and economy for the taxpayers. However, we cannot favor any government reorganization plan that centralizes the power of the three Federal bank supervisory agencies in the hands

of a single Federal authority, as one of the Hoover Commission's task force reports recommends.

"The Federal Deposit Insurance Corporation, the office of the Comptroller of the Currency, and the Federal Reserve System are all independent supervisory agencies. We believe they have functioned efficiently and well and they are not a burden on the general funds of the government. They are supported by the banks they supervise, not by public funds. Hence, combining their functions under a single agency would not result in saving any money for taxpayers. Their functions do not overlap or duplicate each other in any sense. Each has complemented and strengthened the other.

"We are opposed to the centralization of the power of the three agencies into a single authority. To enact such legislation would destroy the system of checks and balances within the government. This system has always been a keystone of strength of the American system."

## Takes Issue With Dr. Spahr on Gold Price

Harry Sears, President of Calaveras Central Gold Mining Company, Ltd., writes Executive Vice-President of the Economists' National Committee on Monetary Policy that the nationalization of gold mine output and prohibition of free markets in gold is unconstitutional. Says gold producers have been subjected to direct property confiscation and defends gold mining industry as promoting prosperity of nation.

Mr. Harry Sears, President of the Calaveras Central Gold Mining Company, Ltd., Angels Camp, Cal., has furnished the "Chronicle" with a letter he has written to Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy,



Harry Sears

and distributed to each of the members of this organization, taking issue with what he claims is "the unfair manner in which Dr. Spahr has attacked the gold mining industry, because of latter's demands for a free and open market for gold." In his letter to Dr. Spahr, defending the gold producers, Mr. Sears says:

"On February 22 I sent you a letter commenting on your article 'The Question of a Free Gold Market' published in 'The Commercial and Financial Chronicle' of Jan. 20. My letter contained eleven factual statements controverting the unfair manner in which you had attacked the gold mining industry, because they seek the freedom of an open market, for the sale of the privately owned gold which can be produced from their properties. . . .

"Let us review the record. The factual statements in my letter present the legal rights of gold producers and their position as citizens under our Constitution. These statements were:

"(1) Gold producers are hampered by regulations dating back to that era when Congress was told to pass laws in spite of doubts as to their validity or constitutionality. If the law did not give its New Deal planners the desired freedom of action this was achieved by a department order,

rule or practice, under pretense of authority.

"(2) An essential part of the New Dealers' drive against gold was their claim of exclusive right to control it. They possess no such right. They never had it.

"(3) There is a vast legal difference between newly mined gold, a privately owned commodity, and government gold stocks for monetary use.

"(4) Gold mines are held by their owners by direct grants from the government. Whether by claim location or as patented ground these grants are valid contracts, specifically conveying the gold, and they are property. Rights acquired against the United States, arising out of a contract with it, are protected by the Fifth Amendment of the Constitution which holds that no person 'shall be deprived of property without due process of law, nor shall private property be taken for public use without just compensation.'

"(5) All gold mines contain gold in its natural state, that is the condition in which the government granted it to the owners and that is the condition in which gold producers find it. In or out of the ground it still remains the private property of the owners. This is equally true whether the gold remains in its natural state or whether it is processed.

"(6) When a producer is compelled to yield up any of this processed gold at a price fixed by the government, and is denied the right to seek another purchaser and receive a higher price, it is clearly a violation of his property rights guaranteed under the Fifth Amendment. It is a direct instance of the extinguishment of private ownership and enterprise within a

national industry, and the substitution therefor of government authority.

"(7) But there is a further violation of rights. The present price for gold paid by the government is not the price fixed by law, for that was a price in dollars of different purchasing power. The gold producer is now compelled to accept a different dollar.

"(8) If it was the intent of Congress that the price to be paid to gold producers was to be \$35 an ounce, and if Congress had power to make such a law, then that law was in essence a contract with the industry. That law ruled out other purchasers and compelled a private industry to sell its private property only to the government, thus the \$35 was an implied promise and pledge of value at that time and having assumed the responsibility, as to value, the government should make it good.

"(9) Who would say that the \$35 of 1934 could by any stretch of the imagination be construed as \$35 today. If that was a pledge

of value to us by our government they owe us now at least \$70 an ounce for gold, but as the Treasury Department is now administering the Gold Act the industry is only allowed to receive value of about \$17 an ounce.

"(10) Is it your contention that our national monetary policy is so precariously balanced that the moderate supply of newly mined gold in this country can upset it, if placed in private hands, or is it merely that gold producers are to be swindled, and that our government must deal with us upon a different basis than that of all other business?

"(11) Our government is evidently bound by various agreements or by their theory of money, to sustain the \$35 gold price, but the peoples of the rest of the world and many people in this country have placed a higher price on gold and are willing to pay that price in dollars. Gold producers, therefore, now seek only their rights to meet and satisfy this public demand in an open

free market, selling only their newly mined gold which is no part of the government's monetary stock of gold. If the Treasury wishes to purchase this new gold, it will be free to bid for it and buy it, but it should no longer be allowed to take it from gold producers in defiance of law."

## F. I. duPont Wire to Buffalo

Francis I. du Pont & Co., 1 Wall Street, New York City, have established a direct wire to O'Brian, Mitchell & Co., Liberty Bank Building, Buffalo 2, N. Y.

## Daniel F. Rice & Co. Opens Cedar Rapids Office

CEDAR RAPIDS, IOWA—Daniel F. Rice & Company, members of the New York and Chicago Stock Exchanges, have opened an office in the Merchants National Bank Building under the management of Roy J. Maddock. Mr. Maddock was formerly Cedar Rapids manager for Faroll & Co.

## MANUFACTURERS TRUST COMPANY

Condensed Statement of Condition as at close of business June 30, 1949

### RESOURCES

Cash and Due from Banks . . . . .	\$ 755,927,142.37
U. S. Government Securities . . . . .	988,407,904.67
U. S. Government Insured F. H. A. Mortgages . . . . .	7,423,396.74
State and Municipal Bonds . . . . .	18,907,977.33
Stock of Federal Reserve Bank . . . . .	3,150,000.00
Other Securities . . . . .	17,267,578.52
Loans, Bills Purchased and Bankers' Acceptances . . . . .	577,362,541.22
Mortgages . . . . .	17,335,396.83
Banking Houses . . . . .	10,235,107.79
Other Real Estate Equities . . . . .	450,815.40
Customers' Liability for Acceptances . . . . .	4,519,327.79
Accrued Interest and Other Resources . . . . .	6,493,866.92
	<u>\$2,401,481,055.58</u>

### LIABILITIES

Capital . . . . .	\$45,000,000.00
Surplus . . . . .	60,000,000.00
Undivided Profits . . . . .	30,860,436.30
	<u>\$ 135,860,436.30</u>
Reserve for Contingencies . . . . .	4,522,814.45
Reserves for Taxes, Unearned Discount, Interest, etc. . . . .	7,414,353.53
Dividend Payable July 15, 1949 . . . . .	1,350,000.00
Outstanding Acceptances . . . . .	4,891,627.05
Liability as Endorser on Acceptances and Foreign Bills . . . . .	2,963,196.90
Cash held as Collateral or in Escrow . . . . .	15,833,017.79
Deposits . . . . .	2,234,645,609.56
	<u>\$2,407,481,055.58</u>

United States Government and other securities carried at \$75,965,774.77 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

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## World Bank Defends Progress

Completion of third year shows loan commitments of \$650 million, with \$390 million still available for lending. Says its loans are now aiding undeveloped nations and loans have already been granted to Brazil, Chile and Mexico. Upholds objective of promoting private international investment by making productive loans and thus guiding private commitments.

On June 25 three years ago the International Bank for Reconstruction and Development—sometimes called simply the World Bank—began operations with 40 countries sharing in its ownership. Today there are 48 member countries, and the Bank has aided its members by granting credits totalling \$650,100,000.

The dual purpose of the Bank—to make loans for reconstruction of war-devastated areas and to make loans to help undeveloped member countries—is spelled out in the Bank's title. In its earliest days the Bank was concerned primarily with reconstruction loans because such help was imperative when the war ended. The first loan, of \$250 million to France, was made for that purpose. Other European countries in which loans were made were the Netherlands, \$207 million; Denmark, \$40 million; Luxembourg, \$12 million, and Belgium, \$16 million.

It had been hoped at the Bretton Woods, New Hampshire, United Nations Monetary and Financial Conference, that by the creation of the International Bank sufficient resources would be pooled to finance the major reconstruction of the Allied countries. But very soon after the war was over it became apparent that International Bank loans would not be sufficient to accomplish this, and the United States, with various governmental loans and other forms of aid, such as the Marshall Plan, undertook the rehabilitation of Europe. This allowed the International Bank to focus its attention on the "development" phase of its activities.

In addition to loans made to European members, the Bank has made credits totalling \$125,100,000 available to Latin American countries for development purposes.

The largest of these was to Brazilian Traction, Light & Power Company, Ltd., a Canadian corporation operating in Brazil. The Bank lent \$75 million to this company and the loan was guaranteed by the Brazilian Government—to assist in the financing of the company's hydro-electric facilities and to add to its telephone installations in Brazil.

The \$75 million will be used to purchase equipment in the United States, Canada, the United Kingdom, and Continental Europe. This amount will cover the major part of the foreign exchange required by Brazilian Traction, Light & Power in an expansion program which the company estimates will cost the equivalent of about \$182 million in the next four or five years.

This loan is typical in several ways of what the Bank is doing. First, it is a productive loan. Brazil needs additional electricity in the industrialized Rio de Janeiro and Sao Paulo areas. By making more electricity available, and by increasing the telephone facilities, the creation of more wealth in Brazil is made possible. Second, the International Bank has provided only part of the estimated total cost of the project—the part needed to furnish the foreign exchange. Local costs, such as for labor and for materials which can be supplied locally, are to be met from other sources.

Other loans made to Latin America include \$16 million to Chile, of which \$13.5 million is

for a hydro-electric project and the balance for the purchase of agricultural machinery; and \$34.1 million to Mexico. Of the Mexican loan \$24.1 million is to be used to finance the importation of equipment and materials for the construction of new steam and hydro-electric generating stations, transmission lines, and distribution systems in various part of that country. The balance is to be used for the expansion of generating and distribution equipment in the Mexico City area.

Officials of the International Bank in commenting on its loan policy, point out that a thorough investigation of each application must be made before a decision can be reached on it. The Articles of Agreement created a Bank, and not a "give-away" agency. Much of the information on which decisions are based must be gathered in the country seeking a loan, and for this reason the Bank sends a mission—perhaps even several missions—to a country to study, not only the specific project for which a loan is sought, but also the general economic conditions prevailing in the area. The Bank has economists, engineers, and technicians on its staff to advise on such projects as hydro-electric development, irrigation, transportation, agriculture, and various industries. If needed, outside consultants are retained for a specific mission.

These studies require considerable time, but officials say that in the past year, especially, data have been collected on a number of productive projects for which loans are being sought by member countries in Central and South America, the Middle East, and in other underdeveloped areas. Since many of the necessary studies are now being completed, Bank officials expect that a series of new loans will be announced within the next few months.

Just as the procedure for the investigation of a loan application has been well established in the three years since the Bank

began operations, so too has been the supervision that the Bank gives to the disbursement of funds. Under the Articles of Agreement the Bank must "ensure that the proceeds of any loan are used only for the purposes for which the loan was granted." The Bank does not tell a borrower where the money must be spent. This is specifically prohibited, but the Bank can, and does, require proof of purchases before making payments, and after deliveries the Bank makes on-the-spot investigations to determine if the machinery, for instance, is put to the uses for which it was bought.

Both the extensive investigations conducted before making a loan, and the checking of the use of the money lent are required to insure success of the Bank, its officials believe. The Articles of Agreement, both in letter and in spirit, require that the Bank act prudently in granting loans, but even if they did not officials of the Bank hold that its continued success would depend upon the confidence that the public, and especially the investing public, has in it, and that such confidence is gained only by operating the Bank as a business institution.

Continued operation of the International Bank on the scale for which it was designed will mean that from time to time the Bank itself will have to borrow funds from the investing public because the Bank is dependent upon the investment markets of the world for the expansion of its own capital resources.

It is true that the International Bank has an authorized capital of \$10 billion, and that of this total \$8,348,500,000 has been subscribed by the 48 member nations. The Articles of Agreement, however, provide that 80% of the capital cannot be used for ordinary bank purposes but can be called only if necessary to pay off the Bank's obligations. Eighty per cent of the subscribed capital, therefore, is in the nature of a guarantee fund.

Of the total subscribed capital only 2% was payable in gold or the dollar equivalent. Eighteen per cent was paid in the currencies of the member countries but this money cannot be used except with the expressed permission of the respective countries. The United States is the only country which has given the Bank unrestricted use of her 18%. Belgium, Canada, and the United Kingdom have made small amounts of their 18% available, but the other members have not yet found themselves able to do so. As a result, the International Bank has actually had the use of only the equivalent of \$745,570,000 from capital subscriptions.

In addition, the International Bank has borrowed \$250 million in the American investment market through the sale of its own bonds in that amount. The Bank has also borrowed 17 million Swiss francs by the sale of its bonds to the Bank for International Settlements. Another method by which the Bank has augmented its funds was to sell \$28 million in bonds from its own investment portfolio, the bonds having been received in connection with loans made by the Bank. Thus, from all sources—from capital subscriptions, from the sale of its own bonds, and from other income—the International Bank has had a total of only a little more than a billion dollars available for ordinary business purposes.

Having already made loan commitments of \$650,100,000, the International Bank as of June 1, 1949, had approximately \$390 million available for lending. Before all this is lent, of course, the Bank will have to raise additional money to carry on its work. Under present world conditions it is expected that investors in the United States will furnish the major share of any additional

funds raised but small borrowings by the Bank may be made in other countries.

The Bank, its officials point out, is not competing with private capital. Indeed, one purpose of the Bank is to promote private international investment and the Articles of Agreement provide that its business is intended only "to supplement private investment" when private capital is not available on reasonable terms. Before making a loan the Bank must be satisfied "that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which, in the opinion of the Bank, are reasonable for the borrower."

The International Bank, in fact, believes it is promoting private international investment simply by making productive loans. Loans which strengthen the economy and the credit of the borrowing country make that country more inviting to direct private investment. Officials say that the terms of the loans and the conditions under which they are made tend to promote sound economic and financial practices in the underdeveloped countries.

The need for the International Bank, as its officials see it, has increased in the years since its establishment was envisioned at the Bretton Woods Conference. The forty original member countries, which pooled their resources proportionally to help the whole world economy, have been joined by eight other countries. Only a few major nations, including Soviet Russia, are not members of the Bank. The Bank's aims today, as when it began operations three years ago, are to guide international investment into economically sound channels, to facilitate the international flow of capital for purposes of increasing production, and thus to contribute to a healthy expansion of international trade.

## T. G. Horsfield Joins Macklin Operated, Inc.

CLEVELAND, OHIO—T. Geoffrey Horsfield has become associated with Macklin Operated, Inc., Union Commerce Building. Mr. Horsfield began his career in the investment business with The Herick Co. of Cleveland. He was later an officer of Wm. J. Merrick & Co. with headquarters in the New York office.

Mr. Horsfield was an officer of the Security Traders Association of New York and was editor of "STANY," the Association's magazine.

## Batchelder V.P. of Fidelity Management

BOSTON, MASS.—Fidelity Fund, Inc., announces the election July 1 of Joseph M. Batchelder as Vice-President of Fidelity Management and Research Co., 35 Congress Street. Mr. Batchelder for a number of years was with Vance, Sanders & Co.

## Smith Bros. & Co. Admits

CHICAGO, ILL.—Ashley B. Smith has retired from the firm of Smith Bros. & Co., 29 South La Salle Street, and a new partnership has been formed consisting of Norman S. Smith and William T. Phelan. Mr. Phelan has been with the firm for some time.



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### Statement of Condition, June 30, 1949

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GEORGE E. PAUL, Treasurer

THOMAS J. McELRATH, Comptroller

HERBERT GRAY, Auditor

#### LIABILITIES

DEPOSITS—DEMAND \$191,120,120.58  
DEPOSITS—TIME 1,795,830.92 \$192,915,951.50  
ACCEPTANCES \$13,143,215.88  
LESS HELD IN PORTFOLIO 990,755.74 12,152,460.14  
ACCRUED INTEREST, EXPENSES, ETC. 228,141.27  
RESERVE FOR CONTINGENCIES 1,500,000.00  
CAPITAL \$2,000,000.00  
SURPLUS 11,965,283.54 13,965,283.54  
\$220,761,836.45

AS REQUIRED BY LAW \$1,600,000.00 U. S. GOVERNMENT SECURITIES ARE PLEDGED TO SECURE PUBLIC DEPOSITS.

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## Results of Survey on Business Outlook

Commerce and Industry Association of New York holds there is nothing wrong with business that cannot be cured by both government and business itself.

There is nothing wrong with business that cannot be cured by positive action by government and business itself, in the opinion of New York industrial leaders who participated in a survey on the New York City Business Outlook for the Second Half of 1949, made public July 1 by the Commerce and Industry Association of New York, Inc.

While most of the 387 New York firms which took part in the survey are not overly optimistic about the immediate future—two-thirds of them reported gross sales volume was lower for the first half of 1949 against 1948 and anticipated a similar comparative drop in the second half—almost all are ready with aggressive plans to combat the expected decline.

Topping the list of projects for improving the situation are campaigns for more intensive selling; developing new markets and sales outlets; searching reviews of all operating costs for possible economies leading to reduced prices; remodelling of present products to meet competition; development of new products to supplement or replace present lines.

As to action to be taken by government and business to change the picture for the better, these are the principal suggestions:

**Government should:** (1) lower all taxes (City, State and Fed-

eral); (2) reduce spending and economize in every way possible to reestablish some basis of incentive for business to produce, expand and prosper; (3) reduce or eliminate all unnecessary controls over business; (4) reorganize executive branch of the government, to provide greater economy, along the lines of the Hoover Plan; (5) establish a far-reaching domestic and foreign economy policy; (6) reduce subsidies; (7) retain the Taft-Hartley Act, or substitute a similar law that will treat fairly the public, labor and management.

**Business should:** (1) take more positive action for improving business volume, with less talk about a possible depression; (2) economize in all operating costs; (3) increase productivity; (4) resist all future unjustified wage increases; (5) reduce prices but avoid predatory price-cutting; (6) increase advertising; (7) improve selling methods; (8) plan for plant expansion and modernization in 1949.

## Gold Production and Movements

Annual Report of Bank for International Settlements finds, despite slight increase in gold production in 1948, output is still one-third below prewar peak. Estimates two-thirds of output went into monetary reserves and remainder, sold at premium prices, was hoarded.

In the 19th Annual Report of the Bank for International Settlements, located in Basle, Switzerland, there is the customary review of the production and movements of gold. According to the report "no precise information is available with regard to the output of gold in the U.S.S.R. but if, for

statistical purposes a figure of 4 million ounces is again adopted (and maybe it is not very far from the truth) total world production of gold in 1948 would be equal to 27.8 million ounces, as compared with 27.3 million ounces in 1947. There has thus been a slight increase in the yearly output, but this is still one-third below the peak figure, which was reached in 1940. A few producers—in particular, the Union of South Africa, Canada and British West Africa—have seen an increase in their production, while most of the others (although still with a question-mark for the U.S.S.R.) have shown a decline."

Valued in dollars at \$35 an ounce, the world's gold production was equal to \$975 million in 1948 but it should be observed, states the report, that an increasing part of the output was being sold at prices above those officially fixed in the various countries. Of the newly produced gold, about two-thirds went into monetary reserves and this was, in general, paid for at official prices, i.e. at about \$35 an ounce for fine gold or its equivalent in other currencies.

"In 1948," the report continues, "the gold stock of the United States increased by \$1,490 million; i.e., by the total output of gold and half as much again. But countries other than the United States were able to increase their gold stocks too, including Canada (by \$115 million), Venezuela (by \$108 million), Italy (by \$38 million), Switzerland

(by \$31 million) and Belgium (by \$27 million), and there were also additions to the reserves of Cuba and Hungary. Two international institutions, the International Monetary Fund and the Bank for International Settlements, increased their holdings by \$80 million and \$6 million, respectively. These various amounts together came to \$400 million, so that, with the increase in the gold stock of the United States, the total increases registered were about \$1,900 million.

"Only about one-third of this increase was derived from the part of the annual production that was available for monetary purposes, the other two-thirds being a draft on the reserves of other countries, which fell by an aggregate reported total of \$1,450 million. The greatest loser was South Africa, which (in addition to its own annual output at the rate of about \$400 million) drew on its reserves to the extent of \$579 million. For the United Kingdom the decline was equivalent to \$420 million and for the Argentine to \$190 million, while some ten other countries incurred a loss of about \$260 million together. Since in 1948 the United States was no longer the only recipient of any importance, the gold movements in that year were somewhat less one-sided than in earlier years—a small but welcome sign of some progress towards equilibrium under the influence of anti-inflationary measures taken in the countries concerned, many of which have

profited by the respite afforded by Marshall aid.

"During the year, gold went increasingly into private hoards in the East and elsewhere. The industrial consumption of gold has been rising steadily, but there is often only a pretence of working it up, since semi-manufactured or finished articles (e.g., simple statuettes) represent only another method of furnishing the metal in a form suitable for private hoards; as a result, the line of demarcation between industrial uses and downright hoarding is becoming more and more blurred. In all, it would seem as if in 1948 the amount of gold taken by the industry or going into hoards had been of the order of magnitude of 10 million ounces, i.e., around \$350 million's worth.

Higher prices—often the equivalent of more than \$40-50 an ounce—have been paid for gold by open or concealed hoarders. At the same time, the world's gold producers, harassed by the inflationary pressure of high costs of production (which affect marginal mines), the scarcity of labor and the difficulty of finding funds for new investments, have looked longingly at such higher prices. In 1948, the gold-mining industries in nearly all

gold-producing countries did, in fact, appeal to their governments either for tax reductions or subsidies or for permission to sell gold on the free market above the official price. The International Monetary Fund in Washington has again and again had to investigate and take decisions with regard to the payment of subsidies in member countries and the prices at which gold might be sold in domestic markets. There is no indication of any early abatement of the discussions and controversies regarding these matters."

## Chicago Stock Exch. Appoints Advisers

CHICAGO, ILL. — Homer P. Hargrave, Chairman of the Board of the Chicago Stock Exchange, announces the reappointment of the following Advisers: Messrs. Sewell L. Avery, Chairman of Montgomery Ward & Co., Inc.; Gilbert H. Scribner, partner of Winston & Co.; and Dr. Robert E. Wilson, Chairman of Standard Oil Co. (Indiana). Frank M. Collins, President of the Stock Brokers' Associates of Chicago, was appointed the fourth adviser, to succeed Walter L. Turle.

## John Galbraith Now With Camp & Co.

PORTLAND, ORE.—Announcement is made that John G. Galbraith has become associated with the investment firm of Camp & Co.,

Porter Building. Mr. Galbraith has been in the investment securities business in Portland for the past 21 years and has specialized in Pacific Northwest securities. He has been active in civic affairs being a Past President of both the Portland Kiwanis Club and The Knife and Fork Club. During the war, he served with the Coast Guard Reserve on patrol work on the Columbia and Willamette Rivers.

John G. Galbraith

## Robert T. Livingston Dead

Robert T. Livingston of L. J. Schultz & Co. died of a heart attack on June 28.

## BANKERS TRUST COMPANY

NEW YORK



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President, The Commonwealth & Southern Corporation

### CONDENSED STATEMENT OF CONDITION, JUNE 30, 1949

#### ASSETS

Cash and Due from Banks . . . . .	\$ 432,304,612.39
U. S. Government Securities . . . . .	542,627,129.20
Loans and Bills Discounted . . . . .	570,009,751.52
State and Municipal Securities . . . . .	25,934,139.52
Other Securities and Investments . . . . .	20,902,673.12
Banking Premises . . . . .	13,464,832.54
Accrued Interest and Accounts Receivable . . . . .	4,086,379.46
Customers' Liability on Acceptances . . . . .	11,175,307.80
	<u>\$1,620,504,825.55</u>

#### LIABILITIES

Capital . . . . .	\$30,000,000.00
Surplus . . . . .	80,000,000.00
Undivided Profits . . . . .	55,913,518.65
	<u>\$ 165,913,518.65</u>
Dividend Payable July 15, 1949 . . . . .	1,350,000.00
Deposits . . . . .	1,416,974,200.88
Reserve for Taxes, Accrued Expenses, etc. . . . .	5,261,099.90
Acceptances Outstanding \$11,977,020.87	
Less Amount in Portfolio 482,791.17	11,494,229.70
Other Liabilities . . . . .	19,511,776.42
	<u>\$1,620,504,825.55</u>

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 18, 1949. Assets carried at \$69,246,054.08 have been deposited to secure deposits, including \$36,762,171.83 of United States Government deposits, and for other purposes.

Member of the Federal Deposit Insurance Corporation

### ANNUAL GOLD PRODUCTION (In thousands of ounces)

Country—	1940	1947	1948
South Africa . . . . .	14,038	11,198	11,574
Canada . . . . .	5,311	3,070	3,528
British West Africa . . . . .	939	560	668
Total for three producers . . . . .	20,288	14,828	15,770
All other producers . . . . .	20,712	12,472	12,030
Total production . . . . .	41,000	27,300	27,800

## Dewar Attacks Competitive Bidding

Head of IBA says it handicaps utility financing by severely curtailing profits of underwriters and thus removing their incentive to broadly distribute public utility stocks and bonds.

Writing in the "Public Utilities Fortnightly," issue of June 9, Hal H. Dewar, President of the American Bankers Association of America and partner of Dewar, Robertson & Pancoast, investment bankers, San Antonio, Texas, points out how compulsory competitive



Hal H. Dewar

bidding in the handling of public utility issues handicaps the efforts to create a broader and better market for these securities. In his article, Mr. Dewar states: "The utilities have profited greatly from the low interest rates with which they have re-funded bonds and borrowed money for expansion. But the other side of the coin is that conditions which have contributed to making this possible have also contributed toward the present status of the equity markets. Mr. Ely [Financial Editor of the 'Public Utilities Fortnightly'] mentioned several of the reasons why stocks are out of line. Perhaps the greatest of these is the unrealistic tax structure. Men are not willing to venture if the only one who profits is the tax gatherer. There are other important causes, however, and the investment banking industry itself must share the blame for part of them.

"For one thing, our merchandising methods are admittedly ineffective under current conditions. They have an archaic tone and the market would not tolerate the same type of sales efforts on the part of those companies in whose securities we deal. Our advertising is weak (there are exceptions, of course), and our sales departments have not awakened to the fact that the customers at the same old stand are not the people who are able to buy securities today. The country is loaded with savings — more than enough to supply industry both equity-wise and debt-wise and still leave plenty for the slot machines and the racetracks. But these savings are in many new hands—farmers, laborers, white collar workers—in short, a fresh crop of capitalists who have not yet become conscious of the role they can play

in furthering the processes which produced their savings for them and gave them the standard of living which they enjoy.

### Concept of Profits Gone Haywire

"In the second place, the country's concept of profits has gone haywire, and the investment banker has been almost the lead-off man in this. As the whipping boy of the last depression, he developed a defense psychology that has resulted in wheel-spinning activities as far as profits are concerned. No one knows better than the utility companies how cheap we have worked on these anathematized competitive bidding deals. We're not doing the national economy much good with this kind of undertaking. We are, however, using up a lot of good (we think) manpower when it ought to be pursuing a sounder aspect of our function by stimulating the flow of equity capital. If these men were not already engaged in investment banking, do you think the present low profits of the investment industry would tempt them? You know the answer to that one, and by the same token the problem of recruiting younger men for our business is a serious one.

"The utilities people recognize the importance and the essential function of the investment banker in a free economy. You want us to be in a prosperous and healthy condition as there is a real job to be done for you. Your bonds are not such a problem at the present time, but a correctly substantial part of your program calls for equity capital and preferred stock. What can be done about them?

### Utilities Preferred Stocks Hit

"Preferred stock was traditionally an individual investment until the tremendous growth of the life insurance companies in recent years resulted in bidding it out of the individual investor's reach. The institutions then gradually went out of the market and preferreds were left in the doldrums. A job of reselling the individual needs to be done here if there is to be any substantial preferred

stock financing, but there is one serious stumbling block and that is the Competitive Bidding Rule under the Holding Company Act. It will not work satisfactorily on preferreds and commons in this kind of a market.

"The utilities were pioneers in selling their preferreds to customers in the territories they served. Working with the investment bankers, the two of us tapped the forks of the creeks. This was sound business and any added financing costs were well worth it to you in other ways. Most of you would like to do that again. You know it takes adequate compensation to dig out the savings of the customers in your territory. However, that is where your potential preferred stock money is (common stock money, too) and those are the stockholders you would like to have on your team. These people are best reached by that large segment of the investment banking industry known as the local dealer. And what can he do about this preferred stock picture? He can't afford to operate under the Competitive Bidding Rule and so he is out of the market. The firm of which I am a partner is a local dealer, and I know.

### A Case in Point

"I'll give you an example from our own experience. For many years, we have been active in the preferred issues of one of our leading Texas utility companies. A few years ago, when the insurance company demand had the price of utility preferreds sky high, this company found it advantageous to refund its outstanding issues. The company was required to do this financing by sealed competitive bids. Our firm was the joint manager of one of the bidding accounts, and we had in this account all of the Texas dealers who had been active over the years in distributing the shares of this company in Texas. Whereas the company's preferred had been originally sold in the East, these Texas dealers had repatriated a large amount of this stock to such an extent that almost half of it was held in Texas at the time of the refinancing. The services of the Texas dealers to the company, however, cut no ice in the refinancing, and whereas our account was a strong bidder, we failed by less than 1/10th of 1%—exactly \$990 on a \$10,000,000 deal—to have the financing awarded to us. In spite of all this, we did all we could to assist the company in making exchanges that would keep its stock in the hands of Texas owners. Whereas our compensation without the underwriting was very slight, our own firm exchanged over 20% of the stock that was held in Texas. When one considers that these particular shares were not held by institutions, but that we dealt with 326 separate individuals in effecting these exchanges, one can understand the work that it takes when we go to the forks of the creek.

"This was Chapter I in our competitive bidding experience in dealing in the securities of this company. Other Texas dealers had the same sort of experience. Those of us who had really done a job for the company were excluded from the profitable end of the financing because we missed by a hair's breadth outguessing others.

"Chapter II is even a sadder tale. In this case, the company decided to sell some additional preferred, but, because of registration delays and the like, the stock was not ready to come to market until the coldrums which I mentioned above hit preferred stocks. Again, the company was required to do its financing by sealed competitive bids. When the bidding time came, however, there were no bids for the preferred stock. Then the company was requested by the SEC to follow the 'shopping around'

method which proved to be a fiasco in so many cases. The company invited suggestions from several groups of underwriters. Most of them had the same idea of a dividend rate, but one of them said he would charge a fee of 3%, and as this was quite a bit cheaper than the others, the company proceeded with this underwriter. The underwriter was a little premature in his ideas, however, as after trying to form his account (and with the Texas dealers for the most part not willing to make a substantial commitment at this profit), he came back to the company and said he would have to get 4% for the job. They agreed to pay this higher fee. Again, he tried to form his account, but could not get the sort of support that he wanted, so he withdrew from the deal entirely.

"The company then went to the next best 'indicator' but because of the shopping around that had been done by the first group, the second was not then willing to make the same kind of a deal it had indicated at first. So the company finally came to the third indicator, which was the account of which we were a joint manager, and which included the 21 Texas dealers who had been most active in the company's shares in the past. Our proposition was the same as it had always been; namely, a 5% profit for doing the job. We could not get out and beat the bushes and place these shares where they ought to be placed for a lesser amount. The lower profits indicated by the other accounts were based on the hope of developing some insurance sales, which apparently did not materialize. The company was willing to accept our offer, so we all went to work and moved along with the extensive mechanics which are necessary to bring this sort of a deal to market.

### SEC Interference

"The staff of the SEC knew every move that was being made, and we assumed that we were going to have their blessing on the deal. They had registered the securities for competitive bidding and when there were no bids they had suggested the shopping around.

"The company was doing what the SEC had told it to do, and had most diligently determined what it would take to get the preferred stock sold. Therefore, it was a great shock to have the whole proceedings denied suddenly at the last minute after we had worked a long time and spent considerable money on the deal. The opinion citing the reasons for the denial did not come out until four months later; but when it came, it indicated that the spread was too high and the financing cost too much. At approximately the same time, however, the SEC had given its blessing to another preferred issue of a company of similar size and with about the same kind of standing. The spread in this case was 4%, but the net interest cost to the company was almost exactly the same. The SEC cited other reasons, but these same reasons applied to the competitive bidding deal which the SEC did allow to become registered. At least the staff of the commission should have stopped us in the earlier stages of the last negotiation if they were going to strongly recommend a denial. This would have saved a considerable amount of time and expense, not to mention the surprising disappointment which had a bad psychological effect on all of us.

### Local Dealers Embittered

"It is experiences like this that have embittered local dealers against competitive bidding deals. A great many of us now won't go into them except under unusual circumstances. The withdrawal of a large segment of these local dealers from the market is a seri-

ous one from the standpoint of the national economy, and should be corrected. Perhaps it means eventually a statutory correction, but whatever it takes to do the job should be done because utility companies cannot get the support they need to do equity financing and preferred stock financing under the unrealistic aspects of Rule U-50.

"Common stock financing carries with it many of the same problems of preferred stock financing. In addition, it has many problems of its own, to which we have made earlier reference. There is one phase that I should like to touch upon briefly, however, and that is the matter of 'rights.' Unless it involves a very major undertaking, it has been the experience of our own firm and many other dealers that rights are a nuisance to both the stockholder and the dealer who must handle them. The real value of them in building something for the company is questionable.

"To return to the heart of the equity problem, real merchandising has to be done to sell both preferreds and commons today and a good profit for the salesman is the greatest factor in getting this accomplished. We have a fine commission in Washington now and the members are approaching the problems ahead with much more realism than did some of their predecessors. I believe that the utility companies, the commission, and the investment bankers working as a team can whip this particular question, and we welcome the opportunity to have a try at it."

## Draper Officer of Dillon, Read & Co.

Dillon, Read & Co., Inc., 28 Nassau Street, New York City, has announced that William H. Draper, Jr., rejoined the firm as

of July 1 as a Vice-President, a position he relinquished on June 18, 1940 to enter military service. Mr. Draper, a veteran of World Wars I and II terminated nine years of government service on last March 1 when he resigned as Under Secretary of the Army.

In 1940, as a Colonel, Mr. Draper served with the War Department General Staff in Washington and as a member of the President's Advisory Committee for Selective Service. Later he commanded the 136th Infantry Regiment for two years and was then recalled to Washington to head the War Department program for settlement of terminated war contracts.

In January, 1945, he was promoted to the grade of Brigadier General and ordered to Germany where he served for two years as Economic Adviser to General Clay, Commander in Chief of the European Theatre. In 1947 he was made a Major General and at the Moscow Conference of Foreign Ministers served as Military Government Adviser to the Secretary of State. In August of that year he was appointed Under Secretary of the Army with responsibility for the Army's occupational problems in Germany and Japan.

Mr. Draper was awarded the Distinguished Service Medal and twice was awarded the Legion of Merit.

Mr. Draper originally joined the firm in 1927 and was elected a Vice-President in 1937.



Wm. H. Draper, Jr.

## FULTON TRUST COMPANY OF NEW YORK

149 BROADWAY (Singer Building) 1002 MADISON AVE. (Bet. 77th & 78th Sts.)

### Condensed Statement, June 30, 1949

RESOURCES	
Cash in Vault	\$ 424,728.05
Cash on Deposit in Federal Reserve Bank of New York	7,487,862.97
Cash on Deposit in other Banks	407,682.18
U. S. Government Securities	16,205,853.37
State and Municipal Bonds	4,455,538.98
Federal Reserve Bank of New York Stock	120,000.00
Other Securities	4,563,286.18
Loans Secured by Collateral	1,204,289.86
Loans and Bills Receivable	1,029,571.76
Real Estate Bonds and Mortgages	54,866.66
Real Estate (Branch Office)	50,000.00
Accrued Interest and Other Resources	154,561.28
	<b>\$36,158,041.29</b>
LIABILITIES	
Due Depositors	\$30,426,270.65
Dividend No. 179 Payable July 1, 1949	30,000.00
Reserved for Taxes, Expenses and Contingencies	310,676.28
Capital	\$2,000,000.00
Surplus	2,000,000.00
Undivided Profits	1,391,094.36
	<b>\$36,158,041.29</b>

### BOARD OF DIRECTORS

Charles S. McVeigh Chairman of the Board	Edmund P. Rogers Honorary Chairman	Arthur J. Morris President
Stanley A. Sweet	Stephen C. Clark	De Coursey Fales
Franklin B. Lord	Charles Scribner	Charles J. Nourse
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E. Townsend Irvin		Newbold Morris

Member Federal Reserve System and Federal Deposit Insurance Corporation

## The Municipal Bond Market

**Halsey, Stuart & Co. Inc. issues semi-annual review, revealing continued high output of state and municipal issues, with market prices relatively steady. Looks for larger volume of offerings in second half of year.**

Halsey, Stuart & Co. Inc., in a "Mid-Year Survey of the Municipal Bond Market" finds offerings of new issues continuing on large scale under relatively steady market prices.

Text of the survey, dated July 1, 1949, is reprinted herewith.

As it neared the half way mark the 1949 Municipal Market appeared to be a little tired. Keeping up with the volume, variety and frequency of new offerings taxed the machinery of the business. In two days in May it was faced with the consideration, purchase and distribution of 30 odd substantial issues—including a state bonus offering of \$84,000,000.

Following the war there was much talk of "timing" the offering of new issues in order to bring them to the market in an orderly fashion. Nowadays it seems that the idea is to see who can get there first; any time will do, so long as it is Monday, Tuesday or Wednesday.

But after almost three years of postwar financing in record volume of all types, the market has been able to take whatever was offered.

### Soldiers' Bonus Bonds

Soldiers' Bonus bonds still are an important item on the municipal bill of fare but they do not bulk as large this year as they did in 1947 and 1948. The first half total is short of \$250,000,000, less than half the amounts marketed in the first six months of the past two years. The big items so far this year were \$60,000,000 for Louisiana, \$84,000,000 for Minnesota, \$27,000,000 for North Dakota, and \$30,000,000 for California Veterans' assistance. State of Washington legislators have yet to solve the problem of creating the \$80 to \$100 million bonus issue authorized by the voters last fall. Two attempts have been held unconstitutional. New Jersey plans \$150,000,000 for bonus purposes, which may come along in 1949, and the \$500,000,000 Pennsylvania financing for the same purpose is yet to be accomplished. Other such issues in 1949 so far have been \$12,500,000 additional bonds by Ohio (probably the last of these) and \$10,000,000 by South Dakota (out of \$30,000,000 authorized). Although Iowa has \$85,000,000 authorized, it now appears that only \$8,750,000 will be sold soon and those will be very short term. That soldiers' bonuses and bonds to finance them are still live subjects is indicated by the fact that bills for large amounts are being considered this year in Kansas, Texas, Tennessee, North Carolina, South Carolina and West Virginia. Of these, only the last one has received legislative approval for presentation to the voters next year.

In considering the potential possibilities for Bonus bonds, it is significant that six states which paid bonuses after World War I have not yet provided for World War II veterans, and that the last such issue to be marketed after World War I came 16 years after Armistice Day.

### States and Municipalities

With the shifting of emphasis in government and in tax collections from the smaller units to the state, there has been an increase in the amount and variety of state bond issues. State bonds no longer are the scarce item in the market that they were for many years. State issues for bonuses and highways have been the usual thing. Housing issues have now appeared in substantial amounts and there will be more. Financing for institutions and for educational purposes supported by state taxes is being done. That the list will be broadened cannot be doubted. Last fall's elections authorized about \$900,000,000, a good part of which

already has come to the market, but while thus far this year there has been much talk of new issues for various state purposes, actually only a few of these came through to be considered by the voters. They include a soldiers' bonus issue or two, substantial authorizations for road building in North Carolina and West Virginia, some school bonds and other items—and some legislatures are still in session. Under the General State Authority Act of 1949, approved by the Commonwealth of Pennsylvania March 31, the Authority is empowered to issue \$175,000,000 bonds for various state hospitals and other institutions and \$30,000,000 of these bonds are expected to be offered shortly.

There has been an increase in bonds issued at the community level—more school bonds, more public improvement bonds, more water revenue bonds, more sewer bonds, more other bonds. A study of local issues from the State of Ohio, which has been a big source of supply, indicates that the volume of such financing is tapering off; although there are still plenty of bonds authorized in California, Texas and other states.

### Taxation Trends

The Federal tax picture has not changed this year. The local tax situation, however, becomes more acute. Communities are demanding that the states give up taxing power to them or divide the "take," and the states are searching for more revenue themselves. Meanwhile the property taxpayers are getting restless in many areas as the levies reach new highs and the tax spenders show no signs of reducing appropriations.

This is not to suggest that the ability and the willingness of municipalities to pay their debts will be affected, but that the taxpayers undoubtedly will be inquiring more closely into what they are getting for their money. It could mean that more "services" will be put on a self supporting basis and result in still wider use of "revenue" bonds. For the municipal buyer, it suggests more careful examination of tax collection statistics and closer investigation of the sources of municipal revenues.

### New Issue Volume

In 1948 the total of municipal bonds issued reached \$2,982,427,000 compared with \$2,353,770,000 in 1947. During the first five months of 1949 the total was \$1,108,501,000, against \$1,356,876,000 during the same period in 1948 and \$1,196,893,000 in five months of 1947. The difference in volume between this year and last is approximately the amount of the difference in Soldiers' Bonus financing, suggesting that the pace of general offerings is about the same as last year and that the full year's total will not miss 1948's record by very much. The final figure will, of course, depend on market conditions, but there are enough issues "in the making" to give 1949 a fair chance to try for the record.

The overall total of State and Municipal Bonds outstanding is very near the prewar peak. This figure, from the Annual Report of the Secretary of the Treasury, indicated a total of \$20 billions on June 30, 1941. In 1947 the figure was \$16.6 billions and increased to \$18.4 billions on the same date in 1948. If the increase during the past 12 months has been at the same rate, and there is every reason to believe that it has, the total

must now be about \$20.2 billions. We no longer can talk about "deficiency" in municipal bonds in the market. It will be interesting to see how the steady increase in the use of municipal bonds to finance the needs of the people will build up this section of the securities market as the years go by.

### Prices and Markets

The price movement in the first half of the year was in a comparatively narrow range, in spite of the large amount of new issues and many complaints about the temporary absence of the commercial banks from the market. A well known average reflected the improving market at the beginning of the year by moving from a yield of 2.12% to a yield of 2.07% during January. From that point it has declined to 2.27%.

There has been little change in the fundamental money market situation. Price movements have more or less followed the supply of bonds. Bidding for new issues has not shown any lack of confidence in the ability of the market to take up the issues. The secondary market has been active and of increasing importance.

The steady broadening of the market for municipals has been a natural result of the increased supply, but it has really developed more than might have been expected. The secondary market activity now is far greater than it was in 1940-41 when there were as many municipal bonds outstanding as there are today. While it is still true that most municipal buyers make their purchases with the intention of holding them to maturity, they now find more bidders looking for their bonds if they do want to sell. There are now trading departments ready to serve the holders of tax-exempt bonds. One of the noteworthy developments of the year was

the liquidation of \$14,000,000 of municipals from an estate. They were sold on a day busy with new issues and were put away promptly at good prices.

Some concern has been felt in recent months over the comparatively large amount of unsold bonds overhanging the market as indicated by offerings listed for sale by underwriters. Whether this is out of proportion to the volume of new issues coming out and to the increased activity in the secondary market is a matter of opinion. It could well be that this is a natural development and to be expected now that the out-

standing volume is at \$20 billions and the market is broadening. It seems too much to hope that all the bonds will be sold as soon as offered and that investment dealers will have nothing to sell except what they hope to buy.

### Ownership of Tax Exempt Bonds

In considering where the constantly increasing supply of tax exempt obligations will be placed, it is interesting to turn again to the Report of the Secretary of the Treasury and note the changes in ownership between 1940 and 1948 (in billions of dollars).

	1940	1946	1948
Commercial Banks .....	3.6	4.1	5.6
Insurance Companies .....	2.2	1.2	1.3
Corporations and Associations .....	1.2	.7	.8
Mutual Savings Banks .....	.6	.1	.1
Federal, State and Local Government Funds .....	4.3	2.9	3.0
Individuals (including Private Estates & Trusts) .....	8.3	6.8	7.6
<b>Total .....</b>	<b>20.1</b>	<b>15.7</b>	<b>18.4</b>

The volume of outstanding Municipals was at a peak in 1940 (\$20 billions) and at a low in 1946 (15.7 billions). There were influences other than the decrease in supply that were responsible for the changes of ownership shown above, but these are the buyers of tax-exempt bonds and in most cases it is a safe guess that their resources have increased substantially since 1940.

### The Outlook

Thus far, 1949 has been another good year for municipals. Prices have been relatively steady, a substantial volume has been marketed, and the amount of bonds in dealers' hands at midyear is not out of proportion to that volume. The market for tax-exempts

still is broadening. An important factor in this connection is the increasing number of dealers and dealer banks active in municipal bonds. The marketability of municipal bonds increases accordingly.

The second half of the year should see a large volume of offerings. It is possible that the year's total will approach the 1948 record. Prices may be expected to remain relatively stable.

With buying power apparently still large and with an increasing awareness of the desirable qualities of municipal bonds, it is unlikely that any interruption will occur in the present high level of activity in the municipal market.

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## J. P. MORGAN & CO.

INCORPORATED

NEW YORK

### Condensed Statement of Condition June 30, 1949

ASSETS	
Cash on Hand and Due from Banks .....	\$152,871,613.12
United States Government Securities .....	236,878,737.90
State and Municipal Bonds and Notes .....	21,463,163.18
Stock of the Federal Reserve Bank .....	1,200,000.00
Other Bonds and Securities (including Shares of Morgan Grenfell & Co. Limited and Morgan & Co. Incorporated) .....	10,757,517.05
Loans and Bills Purchased .....	175,259,039.09
Accrued Interest, Accounts Receivable, etc. ..	1,814,829.29
Banking House .....	3,000,000.00
Liability of Customers on Letters of Credit and Acceptances .....	8,215,229.25
	<b>\$611,460,128.88</b>

LIABILITIES	
Deposits .....	\$514,344,623.77
Official Checks Outstanding .....	23,421,367.16
Accounts Payable, Reserve for Taxes, etc. ....	5,604,792.11
Acceptances Outstanding and Letters of Credit Issued .....	8,215,229.25
Capital .....	20,000,000.00
Surplus .....	20,000,000.00
Undivided Profits .....	19,874,116.59
	<b>\$611,460,128.88</b>

United States Government securities carried at \$56,545,099.98 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member Federal Reserve System  
Member Federal Deposit Insurance Corporation

## Analyzes British Currency Situation

In July "Monthly Bank Letter" National City Bank reveals pros and cons in problem of sterling devaluation. Sees likelihood of workable solution.

In the July issue of the "Monthly Bank Letter," published by the National City Bank of New York, there is a thoroughgoing discussion of the current international currency muddle and the dollar shortage epidemic. In analyzing the British currency position, the "Bank Letter" states:

"Curiously, Great Britain, which successfully used a fluctuating pound from 1931 to 1939, and at Bretton Woods pressed most vigorously for freedom to alter the value of the pound, now disclaims with equal vigor any intention of using this device to help rectify her adverse trade position. Instead, reliance is placed, apart from American grants and loans under ECA, upon austerity, 'disinflation' and deprivations by plan — upon stringent taxation, tight exchange controls, and drives to hold down wages to urge people to tighten the belt and at the same time work harder."

"The official British opposition to revaluing the pound, or allowing it to seek its own level, calls attention to the fact that adjustments in currency values are not without important disadvantages. Inevitably, with any change in a major currency, there are matters of international political

prestige to be considered. The pressure of internal deflationary policies would be weakened. More closely to the point, it is recognized that devaluation of a currency increases the cost of imports, in terms of the local currency, and decreases the gold or dollar earnings from a given physical quantity of exports. These things, unfortunately, are outside the realm of exact science, and no one can be sure of results, in any particular case, beforehand.

"The elasticity of demand for exports is important. If a decrease in an exchange rate — a cut in prices to foreigners — does not result in any increase in sales it has little to recommend it. But this would only happen if a particular country had a near monopoly on the products that it exports. Such monopolies, fortunately for the consumer, are few. And overplaying a monopoly position, thus stimulating substitu-

tion, can do permanent damage to export markets. In today's environment, price reductions are often necessary simply to avoid or limit a loss in physical volume of business. Tourist travel, it is broadly agreed, is highly responsive to a drop in the rate of exchange.

"On the side of imports, currency devaluation does not alter the cost in dollars of a given physical volume. It does increase the cost in terms of the local currency. Here the apprehension frequently expressed is that demands for increased wages would be precipitated, and the advantages of the devaluation to exporters might be dissipated in increased manufacturing costs. Such an outcome would be unfortunate. And devaluation has little merit, outside the stimulation to export industries, unless exchange restrictions are eased and supplies of imported goods increased. Thus, if some prices rose, there could be compensation to the citizen in the freer use he could make of the money he earns.

"Such is the problem that the British face. Having chosen the path of austerity and regulation, they have been carrying through with courage and discipline. In typically British fashion, they are assessing their problem, in public discussions, in the daily press and through the 'Economist' and other journals of informed opinion. All this gives the observer hope that, in one way or another, a workable solution can be achieved."

## Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The sudden and unexpected change in policy of the monetary authorities toward the money markets resulted in a sharp rise in prices of all Treasury obligations. . . . With Federal out as a seller of government securities, the demand and supply forces went to work in earnest and since there were many more buyers than sellers, quotations moved ahead briskly. . . . The longer restricted issues have been the pace setters although there is a substantial demand for all government securities from investors as well as professionals. The largest gains were made by the higher income obligations in both the eligible and ineligible list. . . .

Some backing and filling and profit taking has been in evidence, but higher prices are still in prospect, because all of the forces operating in the money markets are for easier credit, which is bullish on prices of government securities. . . . Likewise the pressure against higher quotations for Treasury obligations has been lifted by the withdrawal of Federal as a seller of these securities. . . . With this action also went the orderly and stable government market which has been so highly publicized by the money managers. . . . It seems as though the cost-conscious Treasury, that is, as far as debt cost is concerned, has won another victory, irrespective of the long-range implications. . . .

### SIGNIFICANCE OF NEW CREDIT POLICY

The new policy of the monetary authorities to increase the supply of, and to further ease credit so as to create deposits and purchasing power in order to stem the deflation means for the time being at least, the availability of credit and the trend of business is more important than price movements of Treasury obligations. . . . The government market has been freed of rigid control selling by the money managers, which had been done to keep quotations orderly and within set limits. Liquidation of government securities by the Central Banks, to meet the investment demand of the commercial banks and to prevent sharp price rises in the eligible obligations, largely offset easier credit conditions brought about through lower reserve requirements. . . .

A new rate pattern in the government market is in the making and what this will eventually be will depend upon the levels reached by the various obligations. . . . Again the demand side has been strengthened and the supply side weakened and this should bring about higher prices for all Treasury obligations. . . . If the Federal Reserve banks are to refrain completely from selling government securities, quotations may advance to the levels that were reached in 1946. The extent and duration of the rise in prices of Treasury obligations will depend in no small measure upon the trend of economic conditions. . . . There is no doubt the money markets are now loaded with dynamite and the higher quotations go, the more far-reaching could be the explosion when, as and if it does come. . . .

### LOWER RESERVES SEEN INEVITABLE

Easier credit most likely means further cuts in reserve requirements in the not distant future because it seems as though all measures at the disposal of the monetary authorities will be used to create deposits and purchasing power in order to revive business. . . . This seems to forecast a 1% certificate rate, and lower yields on Treasury bills. . . . Both of these rates have already moved down. . . . Deficit financing by the government at lower rates is in the cards. . . . There is nothing new about this since it has always been the idea of the Treasury to borrow as cheaply as possible. . . . With interest rates going down, and government security prices advancing will there be selling by non-bank investors of eligible obligations in order to get funds that might be used to finance business? . . . This would be one of the ways in which deposits and purchasing power could be created. . . .

Purchases of government securities by the commercial banks to finance the deficit would also result in new deposits. . . . Loans likewise create deposits but there must be a demand for borrowings before the commercial banks can extend credit. . . . Business conditions will determine the trend of loans, and not the ample supply of credit. . . . It will take time to get the answer to some of the things that could happen with easier credit. . . . However, there seems to be little doubt about the effects of imminent deficit financing by the Treasury, which will create new deposits. . . .

### MARKET PROSPECTS

Whether the down trend in business will be halted by lower interest rates and ample credit, is the subject of considerable debate. . . . In the interim the government bond market should continue to reflect the demand that goes with easier credit. . . . How long it will take the market to reach levels of stability on the up side depends upon the need for income on the part of investors and the action of the monetary authorities. . . . When and where the Central Banks might be sellers of government securities is a matter of conjecture now, but more should be known about this matter in the not distant future. . . . There are many who believe the Reserve Banks will not be sellers for stabilization purposes until prices have reached higher levels. . . . On the other hand, some hold the opinion that the Central Banks will let out securities, from time to time, to keep the market orderly, but not enough to retard the upward trend of quotations. . . .

With no ceiling indicated for prices of Treasury obligations will there be a floor under them when, as and if conditions change? . . . It is believed in most quarters that prices will be protected on the down side as they have been in the past. . . . The size of the government debt is such that the authorities cannot afford to have interest rates advance and this means protection against sharp price declines. . . . At the moment, this type of discussion is purely academic since the money markets are now concerned with how high prices will go.

## THE PUBLIC NATIONAL BANK

AND TRUST COMPANY  
of NEW YORK

Main Office, 37 Broad Street

### CONDENSED STATEMENT OF CONDITION

June 30, 1949

#### RESOURCES

Cash and Due from Banks . . . . .	\$124,714,303.67
U. S. Government Securities . . . . .	238,859,056.85
(includes \$10,014,000 pledged to secure public and trust deposits, etc.)	
State and Municipal Securities . . . . .	14,523,866.13
Other Securities . . . . .	7,165,766.00
Loans and Discounts . . . . .	139,927,765.74
Customers' Liability for Acceptances . . . . .	383,883.25
Stock of the Federal Reserve Bank . . . . .	660,000.00
Banking Houses . . . . .	2,318,249.27
Accrued Interest Receivable . . . . .	1,094,191.81
Other Assets . . . . .	352,425.93
	<b>\$529,999,508.65</b>

#### LIABILITIES

Capital . . . . .	\$9,625,000.00
Surplus . . . . .	12,375,000.00
	<b>22,000,000.00</b>
*Undivided Profits . . . . .	8,494,639.13
Dividend Payable July 1, 1949 . . . . .	275,000.00
Unearned Discount . . . . .	853,928.48
*Reserved for Interest, Taxes, Contingencies . . . . .	5,438,666.60
Acceptances . . . . .	\$2,818,232.28
Less: Own in Portfolio . . . . .	2,360,918.38
Other Liabilities . . . . .	311,912.07
Deposits . . . . .	492,168,048.47
	<b>\$529,999,508.65</b>

\*Reflects \$1,500,000.00 transferred in March, 1949, from Undivided Profits as a reserve for such purposes (including Employee Retirement Plan) as Directors may from time to time authorize.

MEMBER: N. Y. CLEARING HOUSE ASSOCIATION

FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

25 Offices Located Throughout Greater New York

## Reilly & Greene Tie in N. Y. Curb 5 & 20 Golf

Approximately 150 New York Curb Exchange members and guests attended the third annual golf tournament of the Curb Five and Twenty Club June 28 at the Siwanoy Country Club in Bronxville, N. Y. Joseph Reilly and Leonard Greene, both regular members of the exchange, posted scores of 81 to tie for the club's golf trophy and will play off the tie at a later date on the same course. Mr. Reilly had won legs on the trophy in the two previous years.

Mr. Greene also turned in the day's low net score of 81-14-67, while Walter Kimm, Jr., took second low net with 88-20-68. The award for the fewest putts went to John R. Atwell, a regular Curb member. David U. Page, also a member, received the nearest-to-the-pin prize.

Low gross score among the guests at the tournament was carded by Charles Amandoles, who had a 73. William S. Vanek had first low net score for the guests, second low net going to A. L. Kerner and third low net to Walter Purcell. The guest prize for the fewest putts was won by J. Rougan and the nearest-to-the-pin award by P. Hickey.

Among the guests present yesterday were Edmond Hanrahan, Chairman of the Securities and Exchange Commission; Edward C. Werle, Chairman of the Curb governing board, and Col. William A. Lockwood, Curb general counsel.

Charles Leichner was Chairman of the committee for the tournament. Edward A. O'Brien, President of the club, presided at a dinner in the evening and Mortimer Landsberg, a Past President, acted as master of ceremonies and awarded the prizes.

## Weekend at Waldorf Compliments of Cohu

As part of their sales promotional campaign, Cohu & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, are offering a weekend at the Waldorf to the customer's man who tops the July sales contest.

## A Sales Approach Tailored to Fit Customer

Stephen A. Douglas, Director of Sales Promotion, The Kroger Company, describes case of adjusting sales technique to customer's situation.

In line with the series of lectures at Boston University on securities salesmanship, previously published in the "Chronicle," the editor's attention has been called to a portion of a talk given by Stephen A. Douglas, Director of Sales Promotion, The Kroger Company, last



Stephen A. Douglas

of this part of Mr. Douglas' remarks follows:

"To demonstrate the science of sales promotion, using the four parts—advertise, display, sample and sell—I will try to give you a simple and actual account of the sale of the same product to the same customer. With five contacts and five sales in comparison with three contacts and three failures. This happened during the war bond campaigns of our big war.

"My friend, an experienced, successful financial man with a splendid knowledge of investments and bonds, was a house-to-house bondholder. The response to his sales efforts in families located in the 'Bottoms area' of Cincinnati was not good. As a result, in conversations with me, he accused these people of being unpatriotic.

"I refused to let him get away with this statement because the masses of America are patriotic. The masses gave of their blood so America could win the war.

"Our little argument resulted in the transfer of five 'Bottoms' customers to my list of homes for the bond campaign.

"First I analyzed his sales plan, his sales approach. Were there possibilities for improvement?

"Let's take the case of the first customer. We will call her Mrs. Smith. She was a widow, a scrub woman in a downtown office building. Her daughter worked in a factory. Her nephew was in the Army infantry. The Smiths lived in two rooms in a three-family house. There was a community bathroom that served three families.

"First, let us call on Mrs. Smith and present the value as my friend did in three bond drives with three failures.

"You have to look right when you call on a customer. (Dons expensive topcoat and hat.) You have to be very careful about appearance. You always have to be clean. Fine. What about equipment? You always have to have a briefcase—a very expensive briefcase. (Picks up briefcase.) Now let's call the Cadillac down. We will roll the Cadillac down and park it in front of Mrs. Smith's door.

"We knock on the door. Mrs. Smith comes to the door.

"How do you do Mrs. Smith? My name is Mr. Morgan. (As far as Mrs. Smith is concerned, he might as well be Mr. Morgan.)

"Then he goes on to tell Mrs. Smith that he thinks a bond is a tremendously good investment: that she can secure almost 3% interest on her bonds while she secures only 1% in the savings bank.

"Well, she hasn't any money at the savings bank. She doesn't understand 1% and she doesn't understand 3%.

"He goes on to tell the lady (she is very courteous and takes the

time to talk with him) that it is the duty of all of us to support the United States Government and to buy bonds.

"He goes on and on, but Mrs. Smith has no money. She is a scrub lady and her daughter is buying bonds at the factory where she works. Mrs. Smith does not buy any. So he reaches into the portfolio and brings out some papers. He goes through those papers and says, 'Well, you will have money the next time. I will leave this pamphlet with you. That tells all about bonds. Read it and maybe you can save a little money the next time.'

"She won't read it. If she did read it, she wouldn't understand it. But he leaves it and thanks her for her time. And she was unpatriotic because she wouldn't buy bonds.

"Now, let's change the approach. Let's get rid of the brief case. (Throws it away.) Let's get rid of the overcoat. (Throws it away.) Let's get the right selling equipment. Let's put on a jacket. We have to wear old working pants, but they have to be clean. That hat is no good, throw it away. (Does so.) Let's try this cap. And we need a pencil to take orders. Let's roll out the 1937 Plymouth. Let's park about a block away from the lady's home. Here we go.

"We knock on the door. She comes to the door.

"How do you do, Mrs. Smith? My name is Steve Douglas. I am one of your neighbors.

"The United States Government needs a lot of money and you have heard about this War Bond Campaign. You have heard about it in the newspapers and over the radio, because today is just two weeks after the campaign started.

"The United States Government needs this money because they need to buy a lot of good food and ammunition and the best kind of weapons, so our boys can win this war, but they need to borrow money from everyone in this country.

"We compliment her because the good lady has always been on the borrowing end before. Think of it, the United States Government wants to borrow a little money—not much—from Mrs. Smith.

"All we would like to do today is borrow \$18.75 from you. (Shows \$18.75 old money.) In return for that \$18.75, Mrs. Smith, the United States Government will pay you well. I will give you a receipt today, and then two weeks from now you will get a war bond which is your official receipt.

"Mrs. Smith, in 10 years the government will pay you \$6.25 (shows her 6 bright silver dollars and a 25c piece) for your \$18.75. If anything happens—if you have hard luck and you have to cash your war bonds before the ten years are up—all you have to do is go to the nearest post-office and sign your name there and the United States will give you your \$18.75 and will pay you a part of the \$6.25, according to how long you left the money with them.

"She wants the \$6.25. She almost broke her leg to get the \$18.75. Two dollars of her money was in pennies.

"The other customers bought on first call with the same simple approach. There was no further selling. From then on it was simply a case of visiting and collecting.

"Now let's take the sales presentation apart and see how the

four parts of the sales promotion science were used. I called on Mrs. Smith after the campaign started, after newspapers, radio and mouth-to-mouth advertising had a chance to work on her. Remember, I called that to her attention.

"The receipt and war bond were displayed so she could see and understand. That was display.

"Her pay, \$6.25, in new money, was used as a sample.

"The presentation was not high pressure selling. It was simple, even low pressure; but it was a sales approach tailored to fit the customer."

## Dempsey Co. Acquires Wm. Flentye Offices

CHICAGO, ILL. — Dempsey & Co., 135 South La Salle Street, members of the Chicago Stock Exchange, announce the acquisition of the personnel and facilities of William H. Flentye & Co., Inc., with offices at Aurora, La Salle and Danville, Ill. The same personnel will continue at these offices under Dempsey & Co., effective July 1, 1949.

## Objects to Term "Risk Capital"

Paul I. Moreland of Moreland & Co., members Detroit Stock Exchange, says use of adjective "risk" destroys objective of educating potential suppliers of capital.

Writing to Robert E. Wilson, Chairman of the Executive Board of the Standard Oil Company (Ind.) on June 2, Paul I. Moreland, President and Treasurer of Moreland & Co., securities dealers in Detroit, comments on what he regards as "a stupid use on the part



Paul I. Moreland

of so many speakers and writers of the term, 'risk capital.' The very use of the adjective 'risk' says Mr. Moreland, "more than destroys the hundreds of other words used to educate the broad span of potential suppliers of capital," and he suggests the adjective "productive" as the word "which properly denotes what we all mean." Continuing, Mr. Moreland writes:

"The term 'productive capital,' as one general classification, should, in my opinion, be used at

all times in contrast with the other general classification which is 'non-productive savings' such as, for example, go into United States Savings Bonds. 'Productive capital' is in turn classified into debt and equity, each with its own degree of risk depending on the many, many factors which I hardly need to mention to you.

"It is only through 'productive capital' that we can provide a continuous high rate of employment and an ever-increasing standard of living."

## New Cgo. Exch. Member

CHICAGO, ILL. — The Executive Committee of the Chicago Stock Exchange has elected to membership Raymond J. Plunkett, President of Raymond J. Plunkett & Co., Wausau, Wis.

# CORN EXCHANGE BANK TRUST COMPANY

ESTABLISHED 1853

## REPORT OF CONDITION

At the Close of Business, June 30, 1949

### ASSETS

Cash in Vaults and Due from Banks . . . . .	\$220,303,315.32
U. S. Government Securities . . . . .	472,575,324.47
State, Municipal and Public Securities . . . . .	12,306,128.60
Federal Reserve Bank Stock . . . . .	1,200,000.00
Other Securities . . . . .	849,940.00
Loans and Discounts . . . . .	69,984,293.16
Real Estate Mortgages . . . . .	647,599.62
Customers' Liability on Acceptances . . . . .	1,523,509.67
49 Banking Houses . . . . .	7,643,276.64
Accrued Income Receivable . . . . .	1,906,937.24
Other Assets . . . . .	86,533.59
	<u>\$789,026,858.31</u>

### LIABILITIES

Capital (750,000 Shares of \$20 Par Value) . . . . .	\$15,000,000.00
Surplus . . . . .	25,000,000.00
Undivided Profits . . . . .	5,844,681.47
Reserve for Taxes, Expenses, etc. . . . .	1,555,477.50
Acceptances Outstanding . . . . .	\$ 2,223,177.48
Less: Held in Portfolio . . . . .	498,495.68
Deposits . . . . .	739,902,017.54
(Includes \$12,930,832.08 U. S. Deposits)	<u>\$789,026,858.31</u>

### MEMORANDUM:

U. S. Securities pledged to secure deposits and for other purposes as required by law . . . . . \$22,135,920.39

### BOARD OF DIRECTORS

ROBERT A. DRYSDALE Senior Partner Drysdale & Company	RALPH PETERS, JR. President	HERBERT J. STURBERG Treasurer, Livingston Worsted Mills, Inc.
DUNHAM B. SHERER Chairman	JOHN H. PHIPPS	JOHN R. McWILLIAM Executive Vice President
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The Corn Exchange Safe Deposit Company operates vaults in 57 of the 75 branches located throughout the City of New York.

Member Federal Deposit Insurance Corporation.

## Sees Pessimism Not Warranted

Burr P. Cleveland, President of First National Bank of Cortland, in presidential address to New York Bankers Association, says with the disappearance of black markets and decrease in consumer demand we are now on sounder footing than for several years past.

In his presidential address before the New York State Bankers Association at Spring Lake, N. J., on June 17, Burr P. Cleveland, President of the First National Bank of Cortland, N. Y., expressed strong disapproval of the current wave of pessimism regarding the nation's future. "I have the great-

est respect for economists and other financial experts," Mr. Cleveland stated in the course of his address. "I appreciate the time and intelligence that they expend in projecting future trends in the light of past and present conditions. I observe, however, that even the best of them come to opposite conclusions. That is confusing to us practical bankers."

"Like most of you," he continued. "I have grown up in the banking business. Therefore, looking back over the past and in particular reviewing the year that I am now concluding as president of your association, if there is any farewell message that I could give to you, it is 'Keep Faith in America's future.'"

"Personally, I do not believe the wave of pessimism which we have been experiencing the past few months is 100% justified. With the disappearance of black markets and grey markets, due not only to a decrease in consumer demand but also to the greatest peace-time production in the history of our country, we can all agree, I am sure, that we are on a somewhat sounder footing than we have been for several years past.

"Our ability to forget unpleasant things is one of our greatest blessings. However, there are

some things that we forget too quickly for our own well-being.

"Within the memory of most of this audience it is easy to recall previous depressions, or if you prefer, 'readjustments in our economies.' Yet out of them has come a higher standard of living for all of us in these United States.

"One of the pioneer industrialists in this age was the Hon. Elbert H. Gary, Chairman of the board of the United States Steel Corp. "Judge Gary said in a speech at the time of the slump in business during the early twenties, something which we can all take guidance from here today:

"Are you pessimists? Are you discouraged or downhearted? Look ahead. Our land, our climate, our wealth, our productive and transportation facilities, our increasing consuming desire and capacity, our protective national constitution, our floating flag, our spirit of loyalty, all remain. Where on earth can be found such a Nation?"

"Judge Gary died in 1927. Since that time this country has again been drawn into another World War. Advances in science are beyond our comprehension, changes in the social and economic life in this country and in the world have been many, but our land, our wealth, our productive and trans-

portation facilities, our protective constitution, our floating flag, our spirit of loyalty, all remain. Indeed, where on earth can be found such a nation?

"As long as we can still benefit from the experience and sound judgment of those who have traveled this way before us—for surely all of these things Judge Gary spoke of, we have today—and as long as we continue to have men pioneering in such things as atomic energy, jet propulsion, television and miracle drugs, this nation will continue to be great."

## Barrett Herrick Co. Formation Announced

Formation of Barrett Herrick & Co., Inc. with offices at 35 Wall Street, is announced effective July 6. The new firm will conduct a general business in investment securities and will serve as the principal Eastern retail distributor for United Income Funds, Inc. Officers of the firm are Barrett Herrick, President; F. L. Chapman, Executive Vice-President and Treasurer; W. H. C. Grimes of Syracuse; J. T. Dunbar of Washington, D. C.; G. M. Jasper of Springfield, Mass., and L. A. McKee of St. Louis, Mo., all of whom are former officers of Herrick, Waddell & Reed, Inc.

Barrett Herrick & Co., Inc., will take over the branch offices formerly operated by Herrick, Waddell & Reed, Inc., in Philadelphia, Pa.; Syracuse, N. Y.; St. Louis, Mo.; Washington, D. C., and Clinton, N. J.

T. C. Smith, who for many years has been President of Gonder, Kelley & Co., Inc., has, with several of his associates, affiliated himself with Barrett Herrick & Co., Inc., in their New York office.

In addition, Barrett Herrick & Co., Inc., announced the opening of an office in the Land Title Building under the management of Joseph V. McGurgan and Robert S. Pearce, formerly the representatives of Gonder, Kelley & Co., Inc., all of whose officers and personnel are now associated with the new firm.

## Child Service Groups Merged in New York

Merger of two organizations devoted to the service of neglected and dependent children in New York City was announced over the week-end. Windham Society for the Care of Boys and Protestant Children's Service have merged their organizations and activities to be conducted under the new name of Windham Children's Service.

The new Society will continue the work initiated by a predecessor organization in 1835. An all-year-round program of providing temporary and emergency foster home care for approximately 175 children is maintained. In addition, the society owns and operates a Summer camp for underprivileged boys and girls at Windham, New York. The camp is managed jointly with the Lenox Hill Neighborhood Association and accommodates 100 children at a time.

The work will continue under the direction of Miss Merle E. MacMahon. Principal officers of the Windham Children's Service are: H. Pelham Curtis, President; Barbara Cheney, Vice-President; Mrs. L. Lee Stanton, Vice-President; Thomas McCance, Brown Bros. Harriman & Co., Treasurer; Harry E. Green, Secretary, and Mrs. Gray Taylor, Assistant Secretary.

## Public Utility Securities

By OWEN ELY

### Is the Utility Construction Program Endangering Future Earnings?

Despite the poor showing of KWH sales, net income of all Class A and B electric utilities in the month of April was nearly 17% over last year. But it was recently noted that many companies are bolstering their earnings through a credit for "interest on construction." This means that they are crediting ½% per month or 6% per annum on construction funds actually put to use, whether these funds are obtained through bank loans, sale of bonds of debentures, flotation of preferred stock, or subscription rights for common stock. It is understood that the regulatory commissions have not objected to this procedure; they are interested mainly in net from operations, which is not affected by the credit. Of course, as various units of new construction, such as a steam generating plant, are actually placed in operation, the corresponding credits are discontinued.

The theory back of this accounting policy is that the cost of constructing a plant should include interest on invested funds during the construction period. The latter period may be much longer for a utility company than for an industrial concern—two or three years may be required to complete a plant, although with today's quicker deliveries the interval is being shortened. A corresponding credit is necessary and this is placed in fixed charges. To the extent that the funds are raised through borrowing, the credit serves to offset some of the interest cost. However, the fact that the credit also includes interest on funds raised through the sale of preferred and common stocks may cause some lifting of eyebrows among more conservative executives or analysts.

To the extent that the credit represents 6% on stock money it seems to be in the nature of a guarantee that the new plant will make money for stockholders. How safe is this guarantee? To the extent that the new plant replaces obsolete and inefficient facilities such as old standby steam plants, it seems likely that the new plants can pay their own way. But to the extent that they merely increase the reserve capacity there might be some room for doubt. Even in this case, the new plant would be used in preference to old, and operating savings would still be available. But if business declines and there is an ample reserve, the oldest units would be out of service anyway, and the relative savings would then be somewhat smaller. Also, the oldest plan would still be kept as standby capacity (utilities like to do this in order to maintain as large a rate base as possible) and the old plant would remain a burden on earnings, since it would involve depreciation and tax accruals (local property taxes) and must be overhauled periodically, if it is to be a real standby facility.

But barring these theoretical considerations, operating savings as a result of the completion of new projects may be substantial. For example, in many cases fuel consumption may be only half as much per KWH for the new plant as for the obsolete plants which had to be run at full capacity last year (instead of being operated on a standby or peak-load basis only). Detroit Edison could have saved \$1,000,000 in fuel costs last year if a new 100,000 KW plant had been in operation last year, it is said. The companies are also now favored by substantial declines in coal and oil prices, although some of this is being passed back to the consumer through fuel adjustment clauses in the rate structure.

Other operating costs will also be lower. Some companies, such as Consolidated Edison, have had a good deal of deferred maintenance following the war, which is now about taken care of. Last year, with all plants being operated at near capacity, it was impossible for utilities to do all their maintenance work on the most efficient basis. Moreover, it is obvious that maintenance work on the new plant of all kinds should be considerably lower than on the badly-worn and obsolete facilities which are being replaced. Labor costs to operate new generating equipment is far lower than for the old; for example some new machinery takes only ¼ or 1/5 as much labor supervision as did the oldest.

If we were to attempt to forecast earnings, it would be necessary to balance the savings in operation—fuel, power station labor, maintenance costs, etc.—against the increased interest charges, depreciation accruals and local taxes. All these items must be projected before the net result in share earnings can be forecast. It is also necessary to project residential sales—far more important than other business with respect to net earnings—as well as commercial and industrial sales. These projections are being made by the engineering and operating staffs of most utilities, and a budget of future earnings power is worked out to guide executive policies.

Utility programs remain fairly flexible despite the rather definite statements that so much KW capacity and so many millions of dollars will be added. Some companies have already begun to "spread" ambitious programs over a longer period of time. Most contracts for generating equipment, etc., have clauses providing for cancellation if no work has been done, or for putting the machinery "on the shelf" for an indefinite period if construction cost to date is paid, we understand. Thus the utilities can "pull in their horns" if necessary.

Utility growth is of two kinds—secular and cyclical. This was quite fully discussed in a recent article in the "Survey of Current Business." Extremes of the business cycle are minimized or ironed out by secular growth, particularly with respect to residential business. The latest figures indicate that residential revenues are still running substantially above last year. Thus if the utilities make a bad guess about future output, as they perhaps did in 1929-31, cyclical growth should take care of excess capacity within a few years.

Of course if the utilities attempt to restore too much reserve capacity without getting enough economies or rate increases to balance the cost of this idle capital, they may be in for several years of disappointing earnings for stockholders. But we think most of them are alert to this possibility.

## CHEMICAL BANK & TRUST COMPANY

125th Anniversary

1824-1949

165 Broadway, New York

### CONDENSED STATEMENT OF CONDITION

At the close of business, June 30, 1949

#### ASSETS

Cash and Due from Banks	\$ 443,979,907.55
U. S. Government Obligations	466,237,325.94
State, Municipal and Public Securities	95,899,458.78
Other Bonds and Investments	4,589,388.70
Loans and Discounts	482,100,261.81
Banking Houses	492,259.85
Other Real Estate	2,229,408.58
Credits Granted on Acceptances	16,560,797.66
Accrued Interest and Accounts Receivable	3,508,458.43
Other Assets	1,024,051.38
	<u>\$1,516,621,318.68</u>

#### LIABILITIES

Capital Stock	\$25,000,000.00
Surplus	75,000,000.00
Undivided Profits	12,160,291.27
	<u>\$ 112,160,291.27</u>
Reserve for Contingencies	4,088,783.62
Reserves for Taxes, Expenses, etc.	3,794,658.76
Dividend Payable July 1, 1949	1,125,000.00
Acceptances Outstanding \$21,163,584.62 (Less own acceptances held in portfolio)	2,796,486.29
	<u>18,367,098.33</u>
Other Liabilities	10,889,526.23
Deposits	1,366,195,960.47
	<u>\$1,516,621,318.68</u>

Securities carried at \$54,628,814.86 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

Charter Member New York Clearing House Association  
Member Federal Reserve System  
Member Federal Deposit Insurance Corporation

## Says Welfare State Means Lower Economic Level

Harold Stonier, Director of Graduate School of Banking of ABA, points to Russia as case where both property and human rights have been annihilated and population reduced to misery of slavery.

In his commencement charge to the Class of 1949, delivered on July 1 at the Graduate School of Banking, conducted by the American Bankers Association at Rutgers University, New Brunswick, N. J., Dr. Harold Stonier, Director of the School, traced the progress of human rights



Dr. Harold Stonier

and pointed out that so-called communistic and socialist revolutions of present day, under guise of creating a "welfare State," was not progress but retrogression, since its objective is cutting all men down to "a lower economic level."

"When you were in your teens," Dr. Stonier stated, "a group of ambitious men rose to power in Russia. They had organized the vicious, the criminal, the thriftless. By pillage and murder on a dark night in old St. Petersburg they stole the Russian Revolution away from Kerensky and his followers and set up one of the most inhumane governments of all times. From this platform 11 years ago this month Everett Dean Martin gave the background and details of that tragic event. With his knowledge of communism he prophesied with uncanny accuracy what has happened in the years since then."

"These men who had stolen the Russian Revolution had as their primary objective the destruction of private property rights. Under the false doctrines of Karl Marx, they contended that property rights were in their very nature antagonistic to human rights. What has been the result? Throughout the vast Russian Empire property rights have been destroyed and human rights have been annihilated. No other result could have followed. The Iron Curtain conceals from us many of the details of the stark and brutal fact that a new kind of human slavery has been born."

## N. Y. Federal Reserve Bank Surveys Bankers' Opinions on the Business Outlook

Impressions gained by representatives of the institution with respect to current trends and bank policies are that bankers believe current recession will continue, but will not broaden or deepen.

The Federal Reserve Bank of New York issued on June 27 a summary of the impressions which its representatives had gained with respect to current trends in business conditions and bank policies, in the course of their visits to banks in 55 counties in the Second Federal Reserve District during March, April, and May of this year. The summary will appear in the form of an article in the July issue of the Federal Reserve Bank's "Monthly Review of Credit and Business Conditions."

According to a summary of the survey, general business conditions in the area of the New York Federal Reserve Bank have taken an unfavorable turn in this period which has been reflected in reduced industrial activity and employment. Many industrial communities have been adversely affected by layoffs or by a reduction of working hours. Retail sales volume has been affected to some extent by diminished incomes, and resistance to high prices has been common.

The decline in business activity, however, has been far from uniform, varying with the degree of diversification and the type of industry in the individual areas. In some of the larger communities, retail trade was reported to

"All this has happened since you were in grade school. Many in our country have grown to manhood unaware of the fact that fellow human beings are in slavery today because clever and criminal leaders have promised them more abundant human rights if they would but give up their property rights to the leaders of the State. Having once made that decision the light of human liberty never shines again."

"But that, you may say, is in far off Russia. It can't happen here. Well, it is happening under another name in England. Given another 20 years under present trends and power, even England may be as dark to us as Russia is today. That statement may sound dramatic, but I am willing to put it in the record."

"Last month, Sir Luke Fawcett, a British trade union leader, spoke at the Silver Jubilee Conference of Trades Councils in England. Speaking of capitalism, he said, in part: 'It will disappear either by embittered strife and struggle, by force and violence, by jerks and spasms, or by the people using their collective will.'

"All these so-called revolutions of our day, including the one now going on in England are based on the premise that happiness and human welfare can be achieved only by cutting men down to the economic level of the lowest. This they say, is a prerequisite to the Welfare State."

"No present-day conviction rests on a more fallacious base. Even in animal life you must breed upward to improve the stock."

"I have not carried this historic parallelism to our own shores. I rest the case in England — our mother country in law and in custom. To your own judgment I commit events, men, and movements that have passed across the American stage in recent years."

available in amounts sufficient to take care of the reduced building activity although, here again, lending policies appear to be more selective.

Only a few banks report an increase in commercial loans. Declines in business loans have been heavily concentrated in New York City banks and are attributed primarily to inventory adjustments and to a reported reluctance on the part of many businesses to make new commitments for expansion at this time. Inventory adjustments are continuing, but are not assuming major proportions. Reports of difficulty with loan collections are becoming more common and there are indications that the amount of past-due paper is increasing. Bankers and businessmen seem to be pursuing a policy of watchful waiting in the belief that there will be a pick-up when prices become stabilized.

Investment portfolios in most banks have shown relatively little change in recent months. In the nonagricultural areas, funds freed by the recent reduction in reserve requirements have found their

way into government bond portfolios. In the agricultural and resort areas, lower reserve requirements have enabled banks to reduce their normal seasonal borrowings, or to reduce the amount of short-term government securities which they normally sell or redeem at maturity to be able to take care of seasonal needs of their customers.

The average banker in the N. Y. District, concludes the survey, looks for a continuance of the current decline in business activity and a further shrinkage in loan volume. He continues to be apprehensive of declining deposits and continued high costs. He feels, however, that the current recession will not broaden and deepen into a severe business contraction. He believes that this is a good time to be just a little more cautious in his investment and lending policies. Nevertheless, while not aggressively soliciting new loan business, he is taking care of the reasonable requirements of his customers and is not averse to taking on some good new loan business.

## Waddell & Reed Head Office to Kansas City

Herrick, Waddell & Reed, Inc., announced the change of its name to Waddell & Reed, Inc., and the removal of its principal office from New York to 1012 Baltimore Avenue, Kansas City, Mo. The principal activity of the firm will continue to be the distribution of United Income Fund Shares and Periodic Investment Plans to acquire United Accumulative Fund Shares, for which it is the national sponsor. Its branch offices are located at Wichita and Hutchinson, Kan.; Lincoln, Neb.; Ft. Wayne, Ind.; Springfield, Mo. and San Francisco, Beverly Hills and La Jolla, Calif.

Chauncey L. Waddell will be President of the firm and will continue to maintain an office in New York City. Cameron K. Reed, Executive Vice-President; Jasper F. Stephens, Vice-President, and Gerald Gilbert, Treasurer, will be in the company's main office in Kansas City.

Mr. Reed is also President of United Funds, Inc., whose head office is in Kansas City.

## Title Guarantee and Trust Company

CHARTERED 1883

Main Office: 176 BROADWAY, NEW YORK 7, N. Y.



### Condensed Statement of Condition at Close of Business June 30, 1949

#### RESOURCES

Cash on hand and due from banks	\$13,612,348.82	
Call loans	2,349,005.00	
U. S. Government Securities	15,902,815.02	\$31,864,168.84
Other Marketable Securities	5,086,294.12	
Loans and Discounts	20,160,422.29	
First Mortgages on Real Estate	3,317,139.34	
Banking and Title Insurance Offices	1,729,856.65	
<i>(After deducting mortgage of \$1,900,186., liability not assumed)</i>		
Accrued Interest and Accounts Receivable	789,129.50	
Title Insurance Reserve Fund	1,479,843.45	
Title Plant (of Lawyers Title Corporation of New York)	887,800.34	
Other Assets	318,264.25	
Customers' Liability for Letters of Credit and Acceptances	476,538.39	
		<u>\$66,109,457.17</u>

#### LIABILITIES

Capital	\$ 3,000,000.00	
Surplus	3,000,000.00	
Undivided Profits	578,906.49	\$ 6,578,906.49
Title Insurance Reserve	1,479,843.45	
Reserve for Contingencies	762,096.46	
Accrued Expenses and Unearned Income	356,161.70	
Letters of Credit and Acceptances Outstanding	480,401.89	
Deposits	56,452,047.18	
		<u>\$66,109,457.17</u>

Securities valued at \$1,393,185, in the above statement are deposited to secure deposits of public funds and for other purposes as required or permitted by law.

#### PRESIDENT

BARNARD TOWNSEND

#### TRUSTEES

ALBERT B. ASHFORTH, JR.

WILLIAM BARTHMANN

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BYRON A. LONG

GEORGE MCANENY

JOSEPH V. MCKEE

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BARNARD TOWNSEND

WILLIS D. WOOD

## Securities Salesman's Corner

By JOHN DUTTON

There are some successful retail dealers that have been able to build up a profitable clientele by selecting listed securities that they believe to be attractive, and then have offered them to their clientele on an agency basis. The commission has averaged about 3% above acquisition cost, plus regular Stock Exchange, or Curb Exchange commission rates. At times this charge, which is plainly stated on the confirmation, has run as high as 5%.

Some retail organizations frown upon this type of business; and others that would like to do business upon this basis have been unable to find the answer to the problem of educating their clientele to accept these admittedly high fees. In many instances where there is competition with member firms, it is very difficult to convince the purchaser of listed securities that he should pay these extra charges. I understand that this procedure is much more successful in the outlying sections where regular Stock Exchange quotations are not published in complete form daily, or where there is less competition from member firms. It certainly seems highly improbable that a sophisticated investor would be willing to pay an extra \$300 in commissions on an order of \$10,000 par value of bonds, or a like amount of stock.

The sales procedure is based upon a presentation that offers the client a superior investment service that could not otherwise be obtained. The point is made that the firm in its quest for extra values, and more attractive investment opportunities, covers the entire market—over-the-counter and listed. In the case of the over-the-counter security, the statement is made, for example, that if a firm acts as a principal and offers a certain stock let us say at a price of 27, it either owns that stock and paid less than 27 for it so that it can sell at a profit, or it knows where it can buy it for less than 27. But in the case of an agency transaction the buyer cannot be fooled. He will be shown exactly what that stock cost. Besides, the firm in this instance will use every effort to buy it as cheaply as possible, at 26½ or even 26 and will show that price to the buyer. Then it will add its legitimate profit which it must have to pay its overhead and costs of doing business. Besides this charge also covers the continuous supervision of the security in question after it is acquired by the investor. If something arises which in the opinion of (in this case the broker) that leads to the conclusion that the security should be sold, or switched into something else, the buyer will be notified.

An interesting case along this line was where a salesman had sold five listed railroad bonds to a client and had charged a commission of \$20 per bond, or \$100 on the trade. About six months later he called on the purchaser and mentioned that he thought the bonds should be sold. Without thinking, the client told him that he owned 10 of that same issue. The salesman proceeded to bawl out the client in no uncertain terms. The fellow admitted that he had gone to his local banker and bought five more bonds after his original purchase, at a total cost in commissions of \$12.50 instead of the \$100 on the original five. The salesman asked him if his banker would come to see him and tell him when to take a profit, or would he keep him posted by mail and telephone as he had done during the past six months. The client had to admit that not only would he have never made the original investment, nor would he have made the profit, nor would he have been told when to sell, if not for the advice of the salesman. I was told that even though this same party has some paper losses today, that he is still gladly paying his 3% to 5% above market price.

This plan of selling must have some merit because it is being successfully used by several firms. I suppose you can sell on any basis as long as you have a good story, and find the people who will believe it. Of course, in the long run you have to do a good job for your clients no matter upon what basis you sell your securities—principal or agent, or both.

### Kings County Trust Company 342, 344 and 346 FULTON STREET BROOKLYN 1, N. Y.

Capital . . . . . \$500,000.00  
Surplus . . . . . \$7,500,000.00  
Undivided Profits . . . . . \$819,000.00

Statement at the close of business on June 30, 1949

RESOURCES		LIABILITIES	
Cash on Hand	\$ 1,366,814.38	Capital	\$ 500,000.00
Cash in Banks	13,006,171.01	Surplus	7,500,000.00
U. S. Gov't Bonds	22,418,071.51	Undivided Profits	819,000.00
N. Y. State and City Bonds	6,890,748.52	Due Depositors	46,248,550.93
Other Bonds	7,385,964.19	Checks Certified	27,744.71
Stocks	824,770.84	Unearned Discount	1,588.20
Bonds and Mortgages	672,429.48	Reserves for Taxes, Expenses and Contingencies	693,516.90
Loans on Collateral		Official Checks Outstanding	55,904.94
Demand and Time	368,877.30		
Bills Purchased	1,952,940.05		
Real Estate	585,000.00		
Other Assets	375,380.97		
	\$55,847,168.26		\$55,847,168.26

Our main office is our only office and makes available to its depositors every facility and accommodation known to modern banking. Make it your banking home.

Member Federal Deposit Insurance Corporation

## How Far Can Depression Go?

(Continued from first page)

of savings and increased their consumer debts. The ratio of increase in spending to the gain in income in 1946 over 1945 was \$2.50 to \$1. For 1947 over 1946 it was \$1.20 to \$1. In 1948, for the first time since the war, the growth in spending fell below the rise in income; out of each \$1 of gain in income consumers increased their spending only 70 cents.

In field after field, therefore, price cuts have become necessary to move goods. With some price declines under way and others in prospect business has ceased the voluntary accumulation of inventories and is trying, instead, to reduce them. The slump will end and give way to revival when business men and consumers conclude that price readjustments have gone far enough.

### Extent of Depression

The chance is slim of predicting correctly the time and level at which such a decline will stop. Nevertheless it seems desirable to suggest by definite figures what at present seems the most probable extent of the contraction now under way.

(1) The Federal Reserve Board index of industrial production, which, since November, 1948, has gone down from 195 to 179, will probably fall to 162.

(2) The Bureau of Labor Statistics index of commodity prices at wholesale, which since August, 1948, has declined from 169.5 to 156, will probably reach a low of 145.

(3) The Bureau's index of consumer prices, which since September, 1948, has gone down from 174.5 to 169.7, will probably continue downward to 161.

(4) The Department of Commerce estimate of disposable personal income, which for the fourth quarter of 1948 reached an all-time-high rate per year of \$200 billion, will probably be around \$185 billion for the last quarter of this year and slightly less for the first quarter of 1950.

The low for industrial production is likely by the end of 1949, the lows for prices will probably come in the early months of 1950. If the actual extent and timing of the business contraction should conform roughly to this forecast, it is probable that by a year from now general business improvement would again be under way.

Since the probable errors of the foregoing predictions are great, and since I am likely to change my mind about the outlook as events unfold, any value of this talk will lie more in the analysis offered than in the statement of present expectations. The latter suggests three questions that call for answer. (1) Why is it probable that the decline will continue for some months? (2) Why is the contraction not expected to be a prolonged and severe one? (3) What are some of the possible developments the emergence of which might invalidate this forecast?

### Probable Decline

Let us consider these questions in the order given. First, why is it probable that the decline has further to go? The principal proximate reason is that price reductions of significant degree have occurred in so many commodities as to lead to expectation of reduction in those which have thus far received only token cuts or no cuts at all. The prices of silk, hides and skins passed their peaks in December, 1947; oils, fats and grains passed theirs in January, 1948; shoe prices began to decline in February of that year and cotton goods in April. Lumber turned downward in September, steel scrap in November, and non-ferrous metals in February, 1949. Steel scrap has fallen about 50% in six months, and a similar de-

cline has occurred in a composite of the scrap prices of copper, lead, zinc, tin and aluminum. Since February the prices of the refined metals other than steel have fallen heavily.

The Bureau of Labor Statistics index of 28 raw materials has declined irregularly for 18 months; in recent weeks its fall has been rapid. For several commodities which are traded in both spot and futures markets the futures continue below spot quotations by enough to indicate expected further declines in the latter. The shading of prices of finished steel has begun but no substantial cuts can be expected until after the wage issue is settled. Although the commodities that have fallen most in price had, in general, risen more than articles that have thus far resisted decline, buyers are likely to bid conservatively, even in lines that may have hit bottom, until the current price levels have been thoroughly tested in such categories as iron and steel, motor vehicles, farm equipment and machinery, plumbing and heating equipment, and house furnishings and furniture.

This morning's papers carried a news item that in Sears Roebuck's fall and winter catalog prices are down an average of 6½% from those in the preceding catalog and 8% from those of a year ago. Specific items upon which the amount of reduction is reported are automobile batteries 31% and paints 12%. Reductions of about 10% are shown for refrigerators, stoves, water heaters, washing machines and men's work clothes. Since these reductions are commitments for half a year by a large retailer, they strongly support expectations of further decline in prices at the consumer level.

Continuance of the slump is also foreshadowed by the behavior in recent months of the Department of Commerce figures on business sales and inventories and on new orders received by manufacturers. While both manufacturers' and wholesalers' sales for the latest month, April, were down both from March and from April a year ago, inventories of both for April were substantially higher than a year ago and only slightly below those for March. The aggregate of business inventories increased \$4 billion in 1948; it would take no more than a cessation of increase to precipitate some decline in rate of output. Manufacturers' inventories of finished goods were this April at a new all-time high 24% above those of April, 1948. The indexes of new orders on the books of manufacturers for both durable and nondurable goods continued their rapid declines from their highs of October, 1948. That these developments should occur in the face of a fairly rapid recent decline in the index of industrial production suggests that the contraction in the latter has farther to go.

### Limit to Progress of Contraction

We turn now to the reasons why the contraction is not expected to be a prolonged and severe one. First, let us consider two factors that should help not only to limit the current slump but seem reasonably certain to become long-time influences applicable to future depressions as well. One of these is the greater strength of the commercial banking structure. The other is the financial operations of the Federal Government.

The strength of the Federal Deposit Insurance Corporation should maintain people's confidence in the safety and liquidity of the deposits of commercial banks. Also bank deposits are fairly certain to shrink relatively less in this and future business contractions than in the past. Until World War II the bulk of

the assets standing opposite the deposit liabilities of the commercial banks represented private and corporate indebtedness to the banks. In times of slump any large shrinkage of this private debt to banks involved a decline in the volume of deposits. Now over half of the banks' earning assets are obligations of the Federal Treasury. In a period of business contraction the banks' holdings of Federals are more likely to go up than down. Decline of a given per cent in bank loans to business will, therefore, generate a much smaller per cent shrinkage in deposits than formerly. In fact, banks might expand their holdings of Treasury obligations enough to offset much if not all of the shrinkage in business loans and in this way largely stabilize the quantity of the circulating medium. Furthermore, the laws under which our Federal Reserve System now operates and the Reserve banks' huge holdings of gold certificates combine to assure that bank credit can be made easy whenever the Board chooses to make it so. Abundant banking reserves may not prevent a contraction of bank credit but they do remove a necessity for contraction which in past slumps has often plagued our economy.

The receipts and expenditures of the Federal Treasury have grown so large relative to the national income that changes in them may have substantial effect upon the level of business activity. In certain respects Federal fiscal operations tend automatically to counteract both booms and depressions. In periods of expanding employment the tax collections for social security rise and disbursements fall; in periods of shrinking employment the tax collections fall and disbursements rise. This mechanism thus operates as a stabilizer of disposable income. The heavy and steeply progressive individual income tax operates in an analogous manner. As personal incomes rise in a business upswing the income taxes increase relatively more than the incomes; as personal incomes fall in a business slump the income taxes decrease relatively more than the incomes. Since a large part of the tax is collected by withholding from payrolls, part of the effect upon disposable income is prompt.

A policy of government support of agriculture in times of weak markets appears certain to continue in some form. This also will tend to increase Federal expenditures in depressions and reduce them in booms. In the current slump all of these automatic features are coming into play to limit the decline.

It is highly probable that the Federal Government will henceforth try deliberately to increase its spending on public works in times of business depression. If unemployment becomes serious it may increase income tax exemptions or cut tax rates or both. Whether it will as readily decrease public works construction and increase taxes in periods of expanding business appears less certain. Also, the stabilizing effect of these discretionary actions will depend upon the correctness of the forecasts upon which the actions are based. In the present slump the decline is residential, industrial and commercial construction is thus far being offset by increases in public utility construction and in public works. The increase in Federal, state and local public works seems likely to continue, though it is doubtful that its rate of expansion will be quite enough over the next six to nine months to offset the decline in private construction which is likely to occur during this same period.

We turn now to reasons why this particular slump is not ex-

pected to be long or severe. I shall mention five reasons. The first is the prospect of a substantial, unplanned cash deficit of the Federal Government for the fiscal year beginning July 1, 1949 (known as fiscal year 1950).

The budget which President Truman submitted to Congress on Jan. 10 for fiscal 1950 contemplated total cash payments to the public, from budget accounts and trust accounts, of \$45.7 billion. This is \$5.6 billion in excess of the estimated payments for fiscal 1949 (ending this June 30). This did not include an item later proposed of \$600 million for military aid to North Atlantic countries which brought the increase in estimated cash outlay for fiscal 1950 over fiscal 1949 to \$6.2 billion. In estimating cash income to meet these outlays the President assumed tax receipts based upon continuance of the peak load of national income reached in the second half of the calendar year 1948. He also expected social security trust accounts to collect about \$3 billion more in fiscal 1950 than in fiscal 1949, largely through legislation broadening coverage and raising tax rates.

It now appears that most of this expansion of social security will be deferred and that for the coming year disbursements to the public will increase by more than social security tax collections grow. Receipts from income and excise taxes and from customs are already declining. If the slump develops as here predicted government receipts in fiscal 1950 will probably fall more than \$5 billion below last January's official estimate. While some economies in expenditure may be achieved these are likely to be exceeded by increased outlays in other directions, notably aid to farmers. Including \$2 billion for life insurance dividend payments to veterans, the Federal Government's payments of cash to the public in fiscal 1950 are likely to exceed cash receipts from it by as much as \$5 billion. Unless the contraction in private spending continues into calendar 1950 with more momentum than I have forecast, this predicted rate of deficit spending by the government should be enough to check the general decline of business.

#### Still Lag in Durable Goods Demand

A second encouraging factor lies in the grounds for belief that there is still a big latent demand for durable goods which can be tapped at price levels not too greatly below present ones. This morning's newspapers carried reports of the Federal Reserve Board's fourth annual survey of consumer finances. This survey is conducted by the Survey Research Center located at the University of Michigan. The interviews upon which this report is based took place in January and February. More consumer spending units planned to buy new automobiles this year than were purchased last year. Among spending units that were uncertain whether they would buy this year the principal reason given for doubt was that the prices seemed too high. This indicates that price cuts, big enough to suggest that they might be final, would bring many additional buyers into the market. Planned purchases of used cars exceed the plans for 1948 but not the actual purchases for that year. Many who had intended to buy new cars last year bought used ones instead.

More than a million spending units want to buy new houses this year. That is more than in 1948. But the fact that about half wish to pay less than \$7,000 helps to explain why residential construction is running behind last year's rate. Plans to buy furniture about match those of a year ago. Intentions to buy television sets exceed last year's purchases by more than two to one. For radio,

refrigerator and washing machine purchase intentions are only slightly below last year's.

One third of the spending units said they were better off at the beginning of 1949 than in 1948, whereas one half of them had said their incomes in 1948 had been better than in 1947. This applied particularly to families with incomes under \$4,000. In 1946 eight out of ten units had reported substantial liquid assets. This year the ratio was seven out of ten.

Two cautions are in order in our use of these data. First, the survey was completed before the evidences of the current slump were widespread. Although 55% of those interviewed expected price declines this year, only 17% expected their own incomes to decline. Another check is to be made in July to discover how much difference the slump in business has made. Second, during the years of expanding business consumer buying exceeded intentions except in items still in too scarce supply to permit this. This suggests that during contraction buying should be expected to be less than intended purchases. Nevertheless, this survey of intentions and of purchasing power strongly supports the view that a serious depression is not probable in the near future.

#### Rate of Consumer Spending Not High

A relevant point not brought out in the foregoing survey is that, relative to the average personal holdings of cash in 1949, the rate of spending for consumers' goods is not high. In 1939 consumers spent six times their average holdings of cash. Today a year's spending by consumers equals less than four times their average cash holdings.

There are also grounds for expecting a moderate rather than a severe decline in business spending for plant and equipment. Of these I shall cite two: First, McGraw-Hill's "Business Week" of Jan. 22, 1949 presented the results of a survey of the capital spending plans of corporations by years through 1953. The study was conducted by McGraw-Hill's Department of Economics. It covered manufacturing, railroads, utilities, transportation and communication, and mining. Although the figures decline gradually from year to year, the striking fact is that so much is already planned so far ahead. The survey uncovered no indication that a decline in private capital investment would, within the next few years, be the initiating factor in precipitating any serious business slump.

#### Capital Expenditure Prospects

A second approach to the prospect for business capital expenditures was suggested in the April, 1949, issue of the Northern Trust Company's "Business Comment." To allow for the effect of changing price levels upon the plant and equipment expenditures of different years, these expenditures for each of the last 30 years were expressed as a ratio to consumer expenditures for the same year. This brings out the interesting fact that for 1947 and 1948 the ratio of capital expenditures to consumer expenditures was not as high as the average maintained for the eight years 1923 to 1930. Neither is it quite as high for 1947-'48 as for 1919-'20.

A third reason for expecting the current slump not to become severe is that the process of transition from a buyers' to a sellers' market has already been accomplished in a great many lines without having precipitated a general depression. This is because the shift has come in one or two industries at a time instead of in several at once. As the readjustment spreads to steel and to automobiles a sustaining factor is the comparatively high rate of consumer buying in fields in which considerable price reduction or

quality improvement has already been accomplished.

A fourth reassuring factor is that inventories are not as high relative to sales and to the liquid assets of consumers as they have usually been at the end of a boom. Retail sales in the aggregate, after slumping sharply in January and February, have rallied strongly in March and April. Inventories of retailers were slightly lower relative to sales in April this year than in April, 1948.

#### Ratio of Private Debt to Income

A fifth factor of great importance is that the ratio of private debt to income, though rising, is still low by past standards. One way of indicating this is to compare a few items for 1949 with those of the boom year, 1929. In the latter year the debts of farmers exceeded a year's farm income. Today they are less than 20% of a year's income. In 1929 mortgages on city property were two-fifths as high as non-farm income; they are one-fifth as high today. Corporate mortgage debt was twice as high relative to reported profits as it is today. For 1929 the total of private debt is estimated to have been twice the national income. Today it is about 85% of the national income. Bank loans then equaled  $\frac{1}{2}$  the national income; today they equal one-fifth of it.

Another pertinent year for comparison is 1939. Consumer indebtedness in that year equaled 11% of personal disposable income; now it equals 8% of such income. Mortgage debt was 35% of disposable income in 1939; it is 25% today. The aggregate debts of persons and of unincorporated businesses exceeded their liquid assets in 1939. Today they are only two-fifths as great as the liquid assets.

We turn now to brief mention of a few of the possible developments the emergence of which would probably invalidate this forecast. A long continued, industry-wide, strike in coal or steel would drop the industrial production index below the figure I have named. A serious crop failure this summer at home, or even in other countries of important acreage, might prevent the predicted declines in wholesale and consumer prices. Exceptionally high crop yields here and abroad would probably carry these price indexes below the predicted figures.

Quite possible, also, are factors of a sort which a business forecaster feels more obligation to foresee. One such concerns the rate of consumer spending over the next two or three months. It is a puzzling fact that, according to Department of Commerce estimates, the sharp slump in consumer expenditures occurred during the two months in which consumers were telling the makers of the Federal Reserve survey of their expectations that their incomes would be maintained or increased, and of their intentions to buy heavily this year. Buying at retail has rallied since. Meantime it appears that the January-February slump in retail sales precipitated a widespread effort by retailers, wholesalers and manufacturers to reduce inventory. This in turn has probably induced some postponement of investment in plant and equipment that had been expected to run almost as high as last year. It is possible that retail buying will hold up long enough to revive business confidence and business spending and thus terminate the slump this fall.

If, instead, shrinking payrolls and falling farm income lead soon to renewed decline in retail buying, it is certainly quite possible that the general business decline will acquire more momentum than I have predicted. Also, indications are emerging that the decline is international. If our own slump is still under way when important

foreign currencies begin to be devalued, the latter process may raise expectation of further decline in domestic prices, through the effects on commodities important in our international trade. This would probably intensify and prolong the decline in this country quite beyond the limits I have forecast. It is disquieting to recall that the declines of 1920-21, 1923-24, 1929-32, and 1937-38 were each more severe than I expected during the early months of their development.

I always try to be more definite than most forecasters. One result is that it is usually easier afterward to prove my forecast was wrong. I have been making business predictions for more than 25 years. The reputation I have won is suggested by a chance remark to me the other day by a long-time acquaintance. He mentioned a prediction I had made last summer which happened to get published as an article in the monthly periodical, "Commerce." He said "I was just checking up on a prediction you made a year ago. I worked out quite well. It's surprising!"

I, too, was surprised. With considerable confidence I had made the general prediction of a slump in 1949. With little confidence that I should come close to the mark I had also predicted the peak figures to which four statistical series would rise before the slump began. The forecast for the wholesale price index of the Bureau of Labor Statistics was 175; this did not come very close to the actual high which was 169.5. The forecast for the consumers price index was 175; the actual high was 174.5. This difference of half a point doubtless represent error in measurement by the Bureau! The predicted high for the Federal Reserve Board index of industrial production was 196,

the actual was 195. The annual rate of disposable personal income for the second half of 1948 was forecast at \$10 billion above the actual rate for the first half, though the rate for the first half was then not yet known. The actual for the second half turned out to be \$10.8 billion above that for the first. One's forecasts so seldom come this close to the actuals that the success this time must be attributed largely to chance. One is lucky to be correct about the direction of change, to say nothing about the degree of it!

For the current slump I have predicted a total decline of 17% in industrial production, 15% in wholesale prices, and 8% in consumer prices and disposable income. This would be more severe than the decline of 1923-24 and considerably less severe than that of 1920-21. By October it should be reasonably clear whether I am now overestimating or underestimating the forces of contraction.

#### New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

David L. Terwilliger retired from partnership in Richard W. Clarke & Co. June 30.

Joseph W. Dixon withdrew from Graham, Parsons & Co. June 30.

Edward E. Barry, limited partner, retired from Milton E. Reiner & Co. June 30.

Earl W. Godbold, Jr., withdrew from Rotan, Mosle & Moreland June 30.

D. J. Bogardus, general partner in Shearson, Hammill & Co., became a limited partner July 1.

## BROOKLYN TRUST COMPANY

MAIN OFFICE:  
177 Montague Street  
Brooklyn 2, N. Y.



NEW YORK OFFICE:  
26 Broad Street  
New York 4, N. Y.

#### Condensed Statement of Condition, June 30, 1949

##### RESOURCES

Cash on Hand and due from Federal Reserve Bank and Other Banks	\$64,167,647.73
U. S. Government Securities	123,544,039.67
State and Municipal Bonds	9,897,720.40
Other Securities	2,290,699.60
Loans and Bills Purchased	27,776,626.78
Bonds and Mortgages	1,000.00
Bank Buildings	2,500,000.00
Other Real Estate	1,000.00
Customers' Liability on Acceptances	3,622.08
Other Resources	537,204.53
	<u>\$230,719,560.79</u>

##### LIABILITIES

Capital	\$8,200,000.00
Surplus	6,000,000.00
Undivided Profits	1,735,639.09
Reserve for Contingencies	784,611.83
Reserves for Taxes, Expenses, etc.	729,238.30
Dividend payable July 1, 1949	205,000.00
Deposits	212,931,714.88
Acceptances Outstanding	3,622.08
Other Liabilities	129,734.61
	<u>\$230,719,560.79</u>

United States Government and State and Municipal bonds carried at \$22,665,179.38 are pledged to secure public deposits and for other purposes, as required by law.

One of the Oldest Trust Companies in the United States

Member Federal Deposit Insurance Corporation  
New York Clearing House Association and Federal Reserve System

## Mais, Monsieur!

"If the excess in British production costs (over those of Belgium) results from an excess in profits and inferiority of technique and specialized labor then the laws of competition are properly favoring Belgium. In that case Belgium and the United States are right.

"But if the excess costs in Britain are rather due to the fact that the standard of living of the British worker has been brought to a level superior to that of the Belgian worker and to the fact that social costs weigh more heavily on British production and to the fact that there is full employment in Britain and partial unemployment in Belgium, then the laws of 'liberal' competition are resulting in the worst form of iniquity. In that case there is no doubt that Britain is in the right.

"This question is extremely grave and it is appearing more and more with the development of European and international planning. Can it be admitted that the country that gives its workers the least advantageous conditions and thereby assures itself of the lowest production costs should profit thereby in international competition? That is the question that has developed in the Organization of European Economic Cooperation and in discussions over the Franco-Italian Customs Union. Will it also be uppermost in the French Assembly debate over social security?" — Leon Blum, French Socialist leader.

We hardly feel ourselves qualified to pass judgment upon the relative economic position of Britain and Belgium.

We should, however, like to raise a question or two about Monsieur Blum's reasoning.

Suppose "excess of costs" in Britain are wholly due to larger unit payments to labor, as the gentleman suggests they may be. Then prices must also be higher. Indeed, the argument really seems to turn on prices rather than costs. But the wage earner, as well as others, must pay higher prices.

Can M. Blum be certain that labor is really better off—not merely apparently better off?

And can British labor retain its gains, assuming it has any, by having other countries—from which it must buy—raise their costs and their prices?

## ITO Charter—Surrender Of American Principles

(Continued from page 4)

enunciates piously principles satisfactory to a country like ours but which codifies exceptions to principles in such a manner that the exceptions become in fact the rules the participating nations are to abide by. I do not question the good intentions of those who negotiated the Charter in behalf of the United States; I am challenging the results. In point of fact, I am amazed and puzzled that at least one of our negotiators, who is a successful exporter, should have placed his signature under such a document which is a negation of everything this country stands for. In the Havana Charter we are giving, in an international document, intellectual, moral and material endorsement to economic fallacies and policies, stemming mainly from genuine or distorted Keynesian theories, against which the defenders of the free individualistic competitive system are fighting incessantly.

Everyone agrees that the Havana Charter is a bad charter, but its supporters have coined in its defense the slogan: "It is better to have a bad Charter than no Charter." Mr. Wilcox wrote in the April issue of "Foreign Affairs" that: "It is true that the Charter fails to guarantee the restoration of conditions that would satisfy the ideal requirements of economic liberalism . . . The real question to be asked is whether the Charter affords an opportunity to establish trade relationships better than those that are certain to obtain if it should not be approved."

Another defender of the Charter puts the same issue in the following manner: Planned economies have a strong propensity for economic nationalism. Therefore, if we can set up an organization which will promote world trade on an expanding scale, economic conditions will improve in all countries, and the tide of government interference with private trade and usurpation of its role will subside.

### Charter Will Not Promote Trade

Now, it is a fact that nobody, but nobody, has offered any common-sense explanation as to how the Havana Charter would promote the expansion of international trade, while a careful examination of the Charter leads to exactly the opposite conclusion. I assume that the supporters of the Charter believe that our representatives on the ITO will be able to contain economic nationalism by the use of charm and persuasion. You may have noticed that I did not mention our economic power among the fighting means which would be at the disposal of our representatives in the ITO. Why? Because, incredible as it may sound, the sad fact is that on ratifying the Charter we would also surrender our main weapon against nationalistic economic wickedness, namely, the power to retaliate. On the other hand, Article 21, 4(b) makes it clear why the Havana Charter would perpetuate quotas and restrain international trade. Article 21.4(b) condones domestic policies which inevitably lead to-

ward balance of payments deficits and exhaustion of international monetary reserves, which in turn the ITO accepts as justifiable reason for instituting quotas.

The defenders of the Havana Charter like to point out that the exceptions in the Charter will not enable any country to do anything that it was not already free to do. This is true except that before we sign the Charter we can retaliate. Once we have ratified the Charter we shall have surrendered our main weapon against nationalistic economic wickedness, namely the power to retaliate. The Havana Charter affords an excellent opportunity for the great multitude of nationalistically inclined countries to gang up on the United States; it affords an opportunity for large and socialistic countries to organize the majority of the ITO membership in such a way as to force us to accept discrimination against ourselves while we remain committed to the granting of the Most-Favored-Nation treatment to all members of the ITO. There is no instance where a country will willingly accept to be tied hand and foot by a large number of other countries, all of which maintain for themselves freedom of movement. In the ITO Charter negotiations fifty-odd debtor countries have combined in order to weaken the economic defense weapons of the one major creditor country, namely the United States. Some defenders of the Charter assert that because of our economic strength we shall never use the power to retaliate. Even if their arguments were valid in many circumstances, no one is sure that the arguments would prove valid in all circumstances, and particularly after the Marshall Plan aid finishes. Therefore, we should not give up our right to retaliate, which is a right recognized even in international law as a right of defense. Furthermore, this argument sounds to me like a defeatist attitude in a problem which entails dangers to liberty and peace. We should not codify and make legitimate by our own signature practices which we know are detrimental to international trade and cooperation. Unless we battle with all our strength for the victory of our principles and the survival of our free enterprise system, these will succumb by default. One other argument is set forth in favor of the Charter. It usually runs as follows: The existence of socialistic and nationalistic countries is a fact. The ITO Charter makes it possible for state socialism and free enterprise capitalism to work together. Now this assertion is true, but the price of the achievement is not mentioned. The price is restriction of international trade, discrimination against the U. S. A., and undermining of the free enterprise competitive system. We have lacked at the right time the vision and courage to provide the necessary assistance to Great Britain to make it possible for her to resume the free convertibility of the pound and to reintegrate free multilateral trade. I don't think I need to demonstrate to you that there is no hope of restoring free trade in the world as long as the British problem has not been solved, and I should like to add now, as long as Great Britain remains a socialistic and nationalistically planned economy. I don't think we can or that we should fight socialism in Great Britain for the good reason that people learn only by experience and suffering. Is it, however, our mission and interest, is it the interest of human freedom, that we support socialism more than is strictly necessary to prevent intolerable hardship? In ratifying the ITO Charter, we would help socialism intellectually and materially, to our detriment

and at the risk of undermining our own economic system.

### Must Make British Know Socialism Means Poverty

Because we have not the intellectual wits and the political courage to devise a strategy which will make the British people understand that socialism means ruin and poverty, and thereafter help Great Britain restore the free convertibility of the pound, we accept the Charter with the unwarranted hope that it will help Great Britain balance its foreign accounts. The supporters of the Charter hope that the Charter will enable Great Britain to balance its foreign accounts by permitting her "to trade multilaterally on a unilateral basis" and by making it possible through discrimination, for Great Britain to fight more effectively American competition in foreign markets. In a recent issue of the "London Economist" one can read that after the end of the Marshall Plan: "American export industry may have to reconcile itself to the permanent loss of its European markets; it may have to permit discrimination against itself."

The defenders of the Charter contend that by some mysterious, undisclosed process the ITO will help the expansion of world trade, and thereby also contain economic nationalism. They are unable to prove their case and therefore, in the final analysis, have to base their arguments on the profession of good intentions and on false, unwarranted hopes. As you well know, hell is also paved with good intentions.

The supporters of the Havana Charter might still have a case, if at least we could enter the entire organization on an equal basis without surrendering in advance vital rights and the main weapon of economic defense, and if the organization would provide us with a forum, or club if you like, where we could discuss ways and means of expanding free international multilateral trade, which ought to be the main purpose of such an organization.

But the Havana Charter is not a neutral, unbiased constitution of the proposed new organization. It is a distinct victory of economic nationalism over economic internationalism. The Havana Charter endorses intellectually all the economic fallacies on which economic nationalists rest their case. It gives intellectual support and material aid to socialistic planners to our detriment and at the risk of undermining our own economic system and our free society. Let me make clear how the Charter furthers economic nationalism because this is one of my main arguments against the Charter. I for one am less concerned with the damage to our country, as expressed in dollars and cents, than with the danger, inherent in the Charter, to the survival of our individual freedom.

In the Havana Charter all countries undertake the obligation to attain and maintain full employment. The provisions regarding full employment do not belong in the Charter, but our negotiators have accepted their inclusion at the insistence of Great Britain and Australia. The purpose of including these provisions in the Charter was to force the hands of the United States in this socialistic issue, and is based on the theory that the United States imports substantially and puts sufficient dollars at the disposal of the world only when we are prosperous and booming.

### Economic Liberalism and National Planning

The difference between the defenders of economic liberalism and those nationalistic planners is not the desirability of a high level of employment, by which we at least mean productive employment, but in the means to be used

to attain and maintain a high level of productive employment. We want the maintenance of a high level of employment without the deterioration of the currency. It is, however, an unchallenged fact that the doctrine of full employment as understood by the Keynesian school of economics (which is the intellectual basis of the Havana Charter) entails national planning, economic nationalism and monetary inflation. The monetary inflation made necessary by an overriding policy of full employment to be pursued regardless of other considerations entails, in a mass democracy with powerfully organized labor unions and other selfish interests, monetary inflation, balance of payments difficulties, exchange controls and importation quotas. The use of exchange controls or quotas by countries like Great Britain or even France makes the restoration of free multilateral trade impossible. (Exchange controls and quotas are the main weapons of totalitarianism and of socialistic countries. Besides, let us not forget that exchange control is a diabolic and tyrannical weapon in the hands of a government, and that it creates black markets and is the source of fraud and moral corruption which permeates the entire social body of a country.) The test whether the ITO Charter will help or prevent the expansion of international trade is whether it will help us get rid of exchange controls and quotas. One is at a loss to understand how the Havana Charter will help us get rid of exchange controls and quotas. The Havana Charter not only fails to remove the most effective barriers to world trade, namely quotas, but condones and perpetuates them. The greatest sins against the expansion of free trade are committed in the name of the modern bogey of "balance of payments difficulties." The well-known British Professor, D. H. Robertson, in an article published in the "Economic Journal," had the following pertinent remarks to make regarding the modern bogey: "What are politely called 'balance-of-payments difficulties' do not necessarily drop like a murrain from heaven . . . any nation which gives its mind to it can create them for itself in half an hour with the aid of the printing press and a strong trade union movement."

All economists are aware of the conflict which exists between nationalistic economic planning for full employment on Keynesian principles and free international multilateral trade. The issue of employment through world trade, or trade through national planned employment, has been resolved by giving precedence to full employment to the detriment of international trade.

Article 21.4(b) provides:

"No member shall be required to withdraw or modify restrictions which it is applying under Article 21 (restrictions to safeguard the balance of payments) on the ground that a change in such policies (namely full employment policies) would render these restrictions unnecessary."

In other words, this provision of the Charter gives American material support and intellectual endorsement to national planning, economic nationalism, exchange controls and quotas and socialism, to the detriment of international trade and peace. Article 21.4(b) would perpetuate quotas because full employment policies on Keynesian principles are bound to create balance of payments difficulties and exhaust the international monetary reserves of a country.

Article 21.4(b) is a real funny one on us and all other free trading nations. Countries indulging in socialistic full employment policies are bound to have overvalued currencies, balance of payment difficulties and exchange

controls. Article 21.4(b) permits a country to use means for maintaining full employment which hurt the trade of other countries and create unemployment in those countries. Furthermore, countries which use exchange controls or quotas make the restoration of free multilateral trade difficult or impossible, according to their economic importance.

If there had been any fair play in the negotiations of the Charter, and if we had been keen not to compromise the chances of our own economic system, the Charter should have provided clearly and in red letters that:

"Members undertake to avoid in full employment policies measures which have the effect of hurting other nations or of reducing international trade."

Instead of that we got Article 21.4(b) which endorses economic nationalism, permits the restriction of international trade and endangers peace.

At this point, you may rightfully raise the question whether member countries are not free presently to do what they like in their full employment policies and whether the adoption of the Charter would worsen the present situation.

It is extremely important that you should understand clearly the consequences of Article 21.4(b) because this Article more than any other one in the Charter entails the surrender to economic nationalism. It is this Article which permits a country, in the name of full employment, to establish importation quotas without any conditions or reservations. Now, importation quotas are an alternative to exchange controls, thus defeating a fundamental undertaking of all countries under the rules of the International Monetary Fund.

In the Monetary Fund, all participating countries have undertaken to remove persistent balance of payments deficits and exchange controls. The Fund has no right to question a change in the exchange rate, which may have become necessary as a result of full-employment policies, but it can, and it is its duty, to take issue with a country which has persistent balance of payments deficits and exchange controls. A change of the exchange rate helps the functioning of the price mechanism and therefore fosters the free exchange of goods and the restoration of automatic equilibrium. Exchange controls and quotas prevent the working of the price mechanism and are tyrannical, arbitrary and discriminatory weapons in the hands of governments. *The ITO Charter, by preventing us from retaliating against countries which institute quotas, is undermining one of the main purposes of and obligations under the International Monetary Fund.*

On June 15, 1948, Mr. Wilcox made the following statement before the United States Chamber of Commerce:

"One serious weakness is this: The ITO will have no authority to intervene in the domestic policy of any country in any way. This means that a country may remain in balance-of-payment difficulty through bad domestic economic measures and the ITO will have no power to correct the situation. This is serious, since it means that the period during which import quotas are permitted may be prolonged. But no nation on earth is ready to surrender its economic sovereignty, least of all the United States. This country would not have agreed to a provision which would have given the ITO power to interfere with our domestic policies."

The statement by Mr. Wilcox only confirms my contention that the ITO is undermining the fundamental undertaking in the

Fund, namely to remove persistent balance of payments deficits and exchange controls. And as long as important trading countries like Great Britain have exchange controls and quotas, there is no chance of reestablishing free multilateral trade.

I don't know who is the original author of the specious argument that the request that a nation should remove persistent balance of payments deficits is, in fact, "a request for the surrender of economic sovereignty." This argument is a hoax. The history of the world is full of crimes against international cooperation and peace in the name of national sovereignty. Nobody has proposed to interfere with the domestic implementation of full employment policies of a country. A country should be free to adopt whatever domestic policies it chooses provided, however, it does not restrict international trade. This proviso is sound and reasonable. It is our right to ask from any country that whatever action it takes to implement a "full employment" policy, such action should not restrict trade. By asking a country to remove persistent balance of payments deficits, exchange control and quotas, we are simply asking a country not to hurt other countries, not to adopt beggar-my-neighbor policies and to help the expansion of free international trade. This is the only request we make, which is just and reasonable, to which in fact all the countries have already subscribed in the IMF and which obligation would be determined by Article 21.4(b).

It is clear, I hope, that Article 21.4(b) is one of the most dangerous ones in the Charter for the preservation of our economic system, for the expansion of international trade and for peace. Therefore, it is incredible that the Guide to the Study of the Charter published by the State Department should not even mention Article 21.4(b) among the key provisions of the Charter which are enumerated in a summary published as an introduction to the Guide.

Another objectionable Article which our negotiators should not have accepted is Article 6, which is based on the theory that a serious or abrupt decline in foreign demand may exert deflationary pressure on a member's economy, and it is asserted that members may need "to take action, within the provisions of the Charter, to safeguard their economies against inflationary or deflationary pressure from abroad." This Article endorses the principle of economic insulation. Representatives Fulton and Javits, in their report on the ITO Charter, confess that they are mystified by the meaning and scope of Article 6 and request that our government ask for an interpretation of this Article before it ratifies the Charter.

I have dealt with this Article at some length in my book, "The Economic Munich." It raises vital questions which we may have a chance to discuss during the conference. Unless I am grossly mistaken, I think that the main reason for Article 6 in the Charter is to provide a new escape for imposing quotas which Great Britain might not be able to impose under the other provisions of the ITC Charter in case of a depression in the United States.

#### Surrenders American Principles

Among the defenses presented in favor of the Charter one comes also across the following: that we ourselves do not have our hands clean, inasmuch as some provisions in the Charter which are detrimental to sound principles in international trade, have been adopted at our request. I submit that for us to be part of a conspiracy against free trade, international cooperation and peace adds one more reason for reject-

ing a bad, hypocritical and dishonest document.

The ITO Charter is not a compromise but a surrender of the American principles and American interests.

There is one further question which I should like to tackle before I finish my remarks against the Charter.

I have no reason to impugn the motives of the American representatives who have carried on the negotiations for the Charter on behalf of the United States. I have no reason to believe otherwise than that they stand for free international trade, free enter-

prise and international cooperation. In point of fact, the man who signed the Charter is one of the greatest American exporters. Therefore, one cannot help wondering why the American architects of the Charter accepted it and are recommending its ratification. Is it in the name of what they consider being realistic? Is it naive? Is it a lack of understanding of the far-flung dangerous implications of some provisions in the Charter? Is it or was it the hope that the Charter would help solve the British problem? Did the British convince them that the liberalism of inter-

national trade will be difficult and impossible as long as the United States has not an import surplus and that the only means to accomplish this is to reduce American competition? Is it a combination of these various reasons which prompted the negotiators to accept and recommend the ratification of the Charter? Very frankly, I don't know the answer. Let us hope that our discussions today will throw some light on this mystery, because I can't find any other word to describe my puzzlement as to why the proponents of the Charter are recommending its ratification.

## Ihlefeld Calls for Reduced FDIC Premium

President of Savings Bank Trust Company sees no need for present rate in view of new banking development that portends smaller volume of bank failures.

Writing in the July issue of the "Harvard Business Review," August Ihlefeld, President of the Savings Bank Trust Company, New York City, says the time has now come for the Federal Deposit Insurance Corporation to reduce its assessment on the banks to cover

and the accumulation of substantial reserves for insurance by the FDIC. "The incline in the ratio of capital accounts to total deposits is of limited significance as an offsetting factor. The ratio of bank capital to risk assets—the really important ratio—is favorable, and banks have built up considerable valuation reserves against risk assets that supplement the cushion provided by capital accounts."

"The fact of the matter is that, through a number of fundamental changes in legislation, supervisory methods, and management policies, the nature of the banking business in the United States has been modified fundamentally. The cost to the banks of Federal deposit insurance has become a subject of intense discussion. Mr. Ihlefeld states: "Many bankers have urged that the annual rate of assessment for deposit insurance, now 1/12 of 1% of total deposit liabilities, be suspended or at least reduced. The Federal Deposit Insurance Corporation itself, on the other hand, has hitherto preferred to accumulate additional reserves, so as to be even better prepared to absorb losses in case economic conditions take a marked turn for the worse and banking difficulties recur."

Mr. Ihlefeld observes, however, that the FDIC has recently paid back to the United States Government and the Federal Reserve banks the \$289 million of capital originally provided it. Furthermore, there has been in recent reports by the FDIC a lessening emphasis on the need for the present assessment rate. He takes these facts as indications that the FDIC is modifying its attitude toward a lowering of the insurance premium rate.

"On the basis of the long-term actuarial experience alone," writes Mr. Ihlefeld, "a case cannot be made for a reduction in the deposit assessment as yet. True, with the passage of time and the very low level of losses incurred, the actuarial showing improves steadily from year to year. It will obviously be a long time, however, before the figure for average losses since 1865 will fall below 1/12 of 1%, even assuming uninterrupted continuation of the highly favorable experience enjoyed since 1934."

"But deposit insurance for the American banking system may be likened to the insurance of a factory which has recently installed a sprinkler system, a greatly improved fire protection service, and other safety measures not present before. On the basis of these changes, the cost of insurance should be substantially less than that indicated by the past experience alone."

"The new factors that will reduce future loss experience, as compared with the past record, are the greatly improved quality of assets, the bettering of supervisory practices to assure that this improvement will be retained, the greater shiftability of assets, the virtual halt in chartering of new banks, larger recoveries from assets of closed banks by the FDIC,

since 1933. For the most part, banks hold, and there is a very good reason to believe they will continue to hold, nonrisk assets. Competition in the dangerous form of high interest rates and low lending standards has been radically curtailed."

## Two With W. R. Olson

(Special to THE FINANCIAL CHRONICLE)

FERGUS FALLS, MINN.—Arnold O. Lona and John Pearson have become associated with W. R. Olson Co., 122 South Mill Street. Mr. Lona was formerly with the Citizens State Bank; Mr. Pearson was with the Northwestern National Bank of Minneapolis.

## With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Ralph T. Hisey has become associated with Hornblower & Weeks, Union Commerce Building. Mr. Hisey was formerly with Otis & Co. in their buying department.

# FIRST NATIONAL BANK IN ST. LOUIS

Statement of Condition, June 30, 1949

## RESOURCES

Cash and Due from Banks	\$112,132,853.64
U. S. Government Securities	160,567,335.65
Loans and Discounts	155,276,887.84
Other Bonds and Stocks	10,884,553.72
Stock in Federal Reserve Bank	612,000.00
Banking House, Improvements, Furniture and Fixtures	595,603.39
Customers' Liability a/c Letters of Credit, Acceptances, etc.	736,014.94
Accrued Interest Receivable	917,468.59
Overdrafts	11,811.64
Other Resources	1,654.42
	<u>\$441,736,183.83</u>

## LIABILITIES

Capital Stock	\$10,200,000.00
Surplus	10,200,000.00
Undivided Profits	8,888,163.35
	<u>29,288,163.35</u>
Dividend Declared, Payable August 31, 1949, and November 30, 1949	600,000.00
Reserve for Taxes, Interest, etc.	1,778,452.01
Unearned Discount	286,767.07
Liability a/c Letters of Credit, Acceptances, etc.	941,290.25
Other Liabilities	25,009.88
Demand Deposits	\$339,543,139.31
Time Deposits	60,067,284.01
U. S. Government Deposits	9,206,077.95
	<u>408,816,501.27</u>
	<u>\$441,736,183.83</u>



St. Louis' Largest Bank

Member Federal Deposit Insurance Corporation

## As We See It

(Continued from first page)

to find—for any and all familiar with the subservience of the System to the Treasury and to the President of the United States.

But it is almost incredible that the Committee would have chosen this particular time to make such a statement, or, choosing this particular time to take such action, would not have had the gumption to phrase their announcements differently. Take note of the facts. The pegging operations of the System have long been designed not to prevent governments from falling, but to keep them from going higher. They have been selling, not buying government bonds.

Had the market for Treasury's been weak—and in such circumstances the Reserve authorities had let it be known that they would leave it to look after itself in order to free themselves to be of assistance to "commerce, business and agriculture"—ah! then there might be something to gasp and stare over. But such a thing has not yet happened.

### Foolish Notions

But to the thoughtful, there is an even more sobering aspect of this whole business. There is an impression abroad that historically central banks have been able to "control" the trends of business; to ward off depressions, and to "stabilize" industry and trade in very substantial degree. It is true enough, of course, that under the gold standard, and with the skill London developed through the decades in dealing with money market factors, a good deal was often done to keep economic and financial factors in balance. That was possible, however, only in a free market, and within limits imposed by circumstances over which the banking authorities had little or no control. Generally speaking, it was the minor ups and downs, or the economic "jiggles," to borrow a discredited term from the stock market, with which they were able to deal successfully. At most the authorities, under proper circumstances, could occasionally prevent minor difficulties from expanding into serious set-backs. One has but to recall that, for a couple of centuries at any rate, depressions of first rate magnitude and scope have been plaguing mankind at not too infrequent intervals, to realize the folly of a good deal that is now said about the miracles central banking wrought in days gone by. It was a useful instrument and no one who knows what he is talking about would for a moment decry its importance, but it was not then and can not now be a controlling factor in the economic affairs of mankind.

It is of no small importance that the true inwardness of the current situation in this respect be understood. Business is not as good as it was, and will not be as sound as we should like to have it in the near future for one basic and over-riding reason. That cause is simply that New Deals, Fair Deals and all that they imply and all that accompanies them shackle individual enterprise; create an atmosphere in which business can not really thrive, even if under some highly artificial conditions it may for a time appear to be making great headway; and encourage the development of all manner of untoward economic conditions. It is now evident enough that the Administration is growing more and more uneasy about the current business outlook. No one need doubt that this uneasiness is responsible for much that has been taking place in the offices of the Board of Governors of the Federal Reserve System.

### Only One Way

It may presently be responsible for a number of other nonsensical programs—or worse—sponsored by a regime which has taken political responsibility for seeing to it that no depression again spreads mass unemployment across the face of the land. But, of course, in the end all this will prove as futile as the silly dancing of the Federal Reserve authorities. The only way in which business in this country can be placed on a really sound footing—or, rather, can be enabled to put itself on a really sound footing, for no one else, including government, can place it there—is to remove one by one the causes of its present plight.

This, obviously, is but another way of saying that the stability, the vigor and the soundness that the President—and the rest of us—wish for can be attained only by means which this Administration obviously has no intention of using—that is, of a definite and determined about-face in all matters that have to do with "managed economy," favoritism to labor, largesse to the farmer, subsidies (euphoniously termed, benefits) to a host of political favorites, and the restrictions, the burdens, the strait-jackets now imposed upon all who have the

enterprise, the initiative, the self-reliance to push ahead in the business world.

### Let's Really Get to Work

Let that multitude of statutes which center upon the Securities and Exchange Commission as enforcing (or should we say, harassing) agent be repealed forthwith. Let the tax laws be so amended that the man who is willing and able to be successful in business may keep the bulk of what he legitimately earns. Release business from the necessity of having to pay crushing payroll taxes in the guise of "contributions" to humanitarian objectives—while Congress spends the contributions in riotous profligacy. Cut public expenditures down to what is really essential to the support of necessary government functions under efficient administration. Withdraw generally from the field of governmental meddling, in well-warranted confidence that business, if it is given the opportunity, can do much better for itself and for the country than is possible under the guidance of politicians.

Let all this be done, or even a substantial part of it with reasonable evidence that the remainder is on the way, as it were, and neither the President nor his advisers need have any more sleepless nights about the business outlook.

## The Battle of American Business

(Continued from page 6)

you have "sinned." If this be "sin," are you free from it?

We have had some odd and startling results from our Federal business laws and their administrators; for example, the portal-to-portal controversy, the Wage and Hour rulings, overtime on overtime, the basing point controversy, and the frantic appeals which they have caused to be presented to the Legislative and Executive branches of our government. What man is bold enough to say that he can reconcile the administration and interpretation of the Robinson-Patman Act, the Miller-Tydings Act, the Sherman and Clayton Acts, the Fair Trade Laws of our various States, and other such regulations, with the needs and best interests of our nation.

It is utterly wrong for the business of this nation to be conducted in an atmosphere of doubt, uncertainty and apprehension. It is utterly wrong for business today to be governed by the existing patch-quilt of legislation which has been sewn without an overall or cohesive pattern in mind. It is utterly wrong for business to be subject to the personalities and whims of transient administrators and the philosophies they harbor. It is utterly wrong for business to be subject to the rule of men and not the rule of law.

Why is there no tribunal, with judicial status, to function in the sphere of business law and the problems arising under it? Almost every other specialized disagreement may be resolved in an appropriate court. I submit that business is entitled to the advantages of orderly process and unbiased rulings, which such court would render. The determination of problems under business laws ought to be free of the considerations which motivate, impel and influence our present administrators and administrative tribunals. Let our Administrators concern themselves only with administration of the law. Let us take away their present license to be investigator, prosecutor, judge and jury.

The boundaries of lawful and allowable conduct for business endeavor ought to be the subject of uniform and simple laws and no longer a hazardous field of conjecture and doubt in which even the justices of our highest Court can rarely agree.

There is ample hazard in business itself. The creation and perpetuation of additional hazards by the legislative or administrative

route is totally unwarranted and a risk we cannot afford to take.

### Tasks Before Business

The task we have before us is plain. There are certain things we must do. And here they are:

(1) We must no longer endure the merger, in the administration of Federal business law, of legislative and judicial and executive functions. In the structure and enactment of laws affecting business, and in their administration, we must insist upon adherence to the doctrine of the separation of powers which made this nation strong and protected its people from Star Chamber rule.

(2) We must no longer endure Federal business laws, which are so loosely phrased that they leave doubt as to the allowable limits of appropriate conduct for men of legitimate endeavor. We must strive for simplicity and uniformity in all laws governing business and commerce, and for simplification and uniformity in their administration.

(3) We must resist further Federal centralization. We must encourage action by State and local government in local affairs, as a means of discouraging the expansion of Federal power and forestalling its further expansion into, and interference with, local business.

(4) We must promote the elimination of state burdens upon, and barriers to interstate trade. Such regulations tend to incite demands for Federal regulation.

(5) We must insist upon recognition of the indisputable fact that the overwhelming percentage of businesses are honest... must be so or they would not prosper. It is a retail maxim that an unscrupulous competitor will eventually crowd your store; and what is true of a store is equally true of all business. We must seek greater freedom in business by promoting self-regulation as distinguished from government regulation.

(6) We must foster a study of business laws by all segments of business and we must propose the adequate revision of existing law with unselfish interest for the welfare of the nation.

(7) We must encourage the government to re-activate the Department of Commerce so that it may function as a more effective voice in national decisions as have for example, the Departments of Agriculture and Labor for so many years past.

These are not easy tasks. They constitute a challenge which

every sound-thinking citizen of our nation should accept. It is a goal to which we must dedicate our thoughts and our deeds.

We who cherish freedom, its institutions, and all the priceless liberties we hold indispensable to worthy survival, will be opposed by those who lust for greater and greater authority. Their power is entrenched and their resourcefulness is substantial. Courageous and wise statesmanship, coupled with forthright action, is needed—now. Make no mistake about it—the regards are high and very precious—the battle lines are drawn.

The part you play by actively espousing our cause will count on our side of the ledger. The part you play through inactivity, through mere passive interest or polite but meaningless applause, will militate against us and give aid and comfort to our antagonists.

If American business is to succeed in discharging the task to which it has been assigned by our statesmen, the dead hand of bureaucracy must be lifted from the shoulders of legitimate business enterprise. Just as the tenets of political freedom for man were wrested from despots by the Magna Charta, so now we must unshackle business from bureaucratic control by formulating and causing to be ordained a Business Bill of Rights. It should be backed up, as I have already suggested, by a Business Practice Court in which the Business Bill of Rights will be dispassionately enforced according to rules of law and not to fancies of administrators.

Men who are eager to support their government rather than be supported by it will champion our cause. Distinguished statesmen in public and private life have long recognized our need and will rally to our support.

Let the Retailers of America come to the forefront in launching this worthy, urgent, nation-wide effort. Let us invite Retailers, Manufacturers, and all other business to join in a coordinate effort to assure study and revision of all business laws in order that they may be classified, codified, and simplified. Let us prove by our fight to regain democratic procedures that we are worthy of the liberty to which we aspire.

Let all who feel as I do join with me in this enterprise.

## Valentine Joins Staff Of Butcher & Sherrerd

PHILADELPHIA, PA.—Butcher & Sherrerd, 1500 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce that H. Stuart Valentine, Jr., has become associated with them as Manager of their Investment Securities Department. Mr. Valentine was formerly Assistant Vice-President of Land Title Bank & Trust Co., Philadelphia, in charge of trust investments.

## William Bennett With Cyrus J. Lawrence

Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, announce that William M. Bennett has become associated with the firm.

For the last three years Manager of the Research Department of Reynolds & Co., Mr. Bennett was formerly Vice-President in charge of research at Lionel D. Edie & Co. He was in the U. S. Naval Reserve for three years during the late war, being released to inactive duty as a Lieutenant Commander.

## Converting Inflation to Deflation—Can It Be Done?

(Continued from page 3)

quirements the functions of gold as a measure of the value of the currency and the settlement of minor differences in clearings balances remained the same. As a measure of value and in the settlement of international balances gold served its functions well in the equitable distribution of gold between countries according to their needs for commerce when governments balanced their budgets, maintained sound monies and let prices balance supply and demand in relatively free markets. Of course gold cannot serve these useful functions and this international law of gold movements cannot operate successfully while countries do not exchange their currencies for gold and allow freedom of trade with multilateral exchange settlements in free markets. The greatest enemies of world recovery and continued prosperity today are: (1) The failure to recognize the necessity of sound money convertible into gold in free markets, (2) Government regimentations and impossible regulations that stifle trade and exchange. The costs of these regulations and the refusal to allow monies to find their actual value in a free market for gold and multilateral exchange transactions must be countless billions to say nothing of the hardship and repression caused by the stoppage of trade and production. Free markets would solve all of these problems without a penny cost to any government and the revenues from improved trade would increase for all governments.

It is not the fault of gold that governments have inflated their currencies until the excess of paper money has greatly reduced the gold value of each unit of the money. It is not the fault of gold that regulations prevent the free flow of trade and multilateral settlements thus forcing countries to default on their obligations. It is not the fault of gold that countries try to set exchange values for their currencies far in excess of their real values because of inflated currencies and bank deposits, and these dishonest relations between gold and the currency values cause intelligent people to hoard gold because it is more valuable.

Every credit is a promise to pay cash the world over. Cash in the form of currency or bank deposits convertible into currency are worth in gold just as much as they will buy in free markets. Currency and bank deposits are not worth what governments stamp on them or say they are worth. The only way we will know what a dollar, a pound and a franc are worth is to offer them in exchange for gold on free markets. Gold cannot serve its functions in a money system without free markets. With free markets the gold reserve is the regulator of currency values and all debts payable in currency. With free markets the amount of gold required is small. But in regimented markets with managed currencies and government controlled banks the amount of gold can never be large enough to restore confidence in these unknowns of human mismanagement.

### Inconvertible Paper Money

"The introduction of money does not interfere with the operation of any of the Laws of Value. The reasons which make the temporary or market value of things depend on the demand and supply, and their average and permanent values upon their cost of production, are as applicable to

a money system as to a system of barter. Things which by contract would exchange for one another, will, if sold for money, sell for an equal amount of it, and so will exchange for one another still, though the process of exchanging them will consist of two operations instead of only one. The relations of commodities to one another remain unaltered by money; the only new relations introduced, is their relation to money itself, how much or how little money they will exchange for; in other words, how the Exchange Value of money itself is determined. And this is not a question of any difficulty, when the illusion is dispelled, which caused money to be looked upon as a peculiar thing, not governed by the same laws as other things. Money is a commodity, and its value is determined like that of other commodities, temporarily by demand and supply, permanently and on the average by cost of production."

One of the outstanding weaknesses of inconvertible paper currency is the inability of human management to determine the quantity needed. Currency must be elastic to serve the changing needs of the economy. Checks and bills of credit have this elasticity. The quantity of them increases and decreases with the volume of business. Inconvertible paper does not have this elasticity. When inconvertible currency exceeds the work to be done by the money the depreciation of the currency increases much faster than the amount of the excess currency in circulation. The rising prices caused by such inflation is usually thought to be prosperity in its initial stages. The amount of the depreciation is never easy to measure. Perhaps the best indication is the index of rising prices. The willingness of people to buy gold at high prices is not an accurate measure of the depreciation because the supply of gold is restricted by government and private hoarding.

Inconvertible paper money has a way of feeding upon the depreciation it creates. It costs so little and more money is so badly needed by the government and almost everyone. It is easy to call it prosperity. The need for more money for armament, to make employment, for higher government salaries, and to subsidize internal and external projects, can be rationalized until the most honest and intelligent government officials and bankers fall for it. A little more expansion with a return of rising prices will set in motion new borrowing and new excitement resulting from the stimulus of credit-debt and a new round of inflation and more depreciation of the currency is on the way. The price of almost everything then goes up. Even the price of gold in depreciated paper money advances sharply in the black markets. As a consequence of these conditions, over expansion on borrowed money and maladjustments come about and the prices tumble. How to stop the new crises and restore balanced conditions is the all important question. Can it be done by any other way except by more inflation? Help the debtors borrow more to pay off their debts. The end of this kind of inflation and depreciation of the money is just what we have witnessed in recent years in Greece, China, France, and after World War I in Germany, France and Italy. It may take many years to carry an

\*"Principles of Political Economy" by John Stuart Mill.

inflation through to these stages. But if there is any way to get out of an inflation without enduring the retrenchment and hardship of deflation, official records have neglected to record an example.

## Defend's Mid-West Stock Exch. Merger

John A. Isaacs, Jr., President of St. Louis Stock Exchange, says it is only means of providing sound market for securities of that area.

John A. Isaacs, Jr., President of the St. Louis Stock Exchange, in a letter to Exchange members and all St. Louis banks, countered a statement by George C. Smith, President of the St. Louis Chamber of Commerce, that the merger of Mid-West Exchanges will cause "some grave injuries to St. Louis."

Mr. Isaacs pointed out a substantial majority of the exchange members had voted in favor of the merger, and that the consolidation move had been taken to "promote and preserve free and open stock exchange markets for St. Louis stocks."

He said business of the St. Louis exchange had been drying up and that "the market in many stocks has migrated to the East."

"The circumstances are not limited to St. Louis. The trend has been shared by other regional exchanges. After many meetings (on the subject of a merger), it was concluded the only way to save an active exchange market for Midwestern securities was to concentrate the trading on one large exchange."

## MacFarlane, Gwinn With First Securities

First Securities Co. of Chicago, 134 South La Salle Street, member of the Chicago Stock Exchange, announces the association with them of H. D. MacFarlane as Vice-President and Director of the company and the appointment of A. Burke Gwinn as Manager of their Champaign, Illinois office.

Mr. MacFarlane has been in the investment business since 1922 with the Guaranty Co., National Republic Co., formed own firm of MacFarlane & Holley in 1934 and has been currently with Alfred O'Gara & Co., as a partner since 1938.

Mr. Gwinn, a native of Champaign County, was associated with the Champaign National Bank, MacFarlane & Holley & Co. and currently has conducted the Champaign office of Alfred O'Gara & Co.

Wallace E. Barrett, also formerly with Alfred O'Gara & Co., has joined First Securities Co.

## Cruttenden Co. Adds

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—Francis D. Hussian, Jr., and John J. Tarne have been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges.

## Two With Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)  
CHICAGO, ILL.—Howard J. Hansen and Joseph A. Weiger, Jr., have joined the staff of Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges.

## Railroad Securities

### Western Pacific

Apparently there had been some uneasiness in the minds of stockholders as to continuation of the regular dividend by Western Pacific. Heretofore it had been the policy of the management at the March directors' meeting to declare four quarterly dividends ahead on both the preferred and common stocks. This year the usual four quarterly payments on the preferred were authorized but only one \$0.75 dividend was declared on the common. This was taken in many quarters to indicate a less optimistic attitude on the part of management. Now that a second quarterly has been declared at the same rate a more optimistic attitude toward the stock may be expected to develop.

From the point of view of both traffic and earnings Western Pacific has been putting on a good performance so far this year. Contrasting with the experience of the industry generally, the road in May reported increases in both passenger and freight revenues. The overall rise in gross for the month amounted to \$245,678, or 6.55%. The improvement registered in recent months has more than offset the heavy decline in business experienced in the opening months of the year. For the full five months through May, gross revenues were \$600,873, or 3.55% above the like 1948 interim. Largely this five-month gain came from passenger business.

Costs of operating the properties have also been going up in the current year. The road has been able to control its transportation expenses. They were naturally up during the five months. The ratio of such costs to gross, however, declined modestly, from 37.8% to 37.5%. In common with most roads, the road upped its maintenance outlays on way and structures. This increase absorbed more than 45% of the revenue rise. Presumably this reflects at least in part a natural desire to get as much of such work as possible out of the way before institution of the 40-hour week for non-operating employees on Sept. 1. Traffic costs were also up quite sharply, and tax accruals were heavier than a year ago. As a result, net operating income declined \$309,438. This was more than offset by the cut in miscellaneous deductions from income, and net after fixed charges amounted to \$808,733. A year earlier it amounted to \$426,338.

A short time ago Mr. F. B. Whitman, who became president of the road on July 1, 1949, in a speech before the New York Society of Security Analysts, sounded a quite optimistic note on the subject of the company's long term prospects. In part this was based on the favorable territorial background and the growth characteristics of the service area. Industrial expansion along the company's lines has been an important factor and this apparently has not even yet run its full course. Population growth and general prosperity in California have also been considerations. Further irrigation projects are expected to add materially to the company's agricultural tonnage.

In addition to the favorable traffic aspects, the new president also sees promise of a further increase in operating efficiency. Over half of the road's train mileage is now handled with diesel power. With delivery of additional diesels now on order yard service and passenger business will be completely dieselized. It is anticipated that 100% dieselization of freight service will be instituted shortly thereafter. Roadway projects and projected extension of C.T.C. operations will allow a sharp increase in the train length and reduce the running time, thus bringing important savings. It was stated that increased efficiency was expected to offset the major portion of the additional expenses of the 40-hour week.

Realization of the further economies looked for by the management will naturally involve heavy expenditures. Thus, the company logically should husband its cash resources. Nevertheless, from the long term point of view the program carries very favorable implications for holders of the common stock. Moreover, the cash position of the road could well be improved materially if present litigation with the parent company, involving some \$10,000,000, were to be decided in favor of the present operating company. This money, which is invested in government bonds, is not carried among the company's current assets.

Allowing for the participating feature of the preferred stock, earnings on the common last year amounted to \$3.39 a share. Obviously this does not give much coverage of the \$3 dividend. It seems now, however, as if 1949 reported results might well be at least modestly ahead of 1948. If so, Western Pacific will presumably be about the only road to show such year-to-year improvement this year.

## Reserve Requirements Of Banks Lowered

The Board of Governors of the Federal Reserve System has amended the Supplement to Regulation D reducing reserve requirements of member banks effective as to member banks not in reserve and central reserve cities at the opening of business on July 1, 1949, and as to member banks in reserve and central reserve cities at the opening of business on June 30, 1949.

Regarding this action the Board of Governors of the Federal Reserve System states:

"The temporary authority granted by Congress for increased reserves . . . expires June 30 and the Board has accordingly revised the Supplement to Regulation D, under which the following reserve requirements will be effective with the beginning of the next reserve period (June 30 for central reserve city and reserve city mem-

ber banks and July 1 for other member banks): against net demand deposits—24% for central reserve city member banks, 20% for reserve city member banks, and 14% for other member banks; against time deposits—6% for member banks of all classes. The changed requirements will result in a reduction of approximately \$800 million in required reserves."

## Three Join Staff of Bache & Co., Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Vincent C. Scully, Carl O. Gustafson, and Theodore Joiner, Jr. have become associated with Bache & Co., 135 South La Salle Street. Mr. Scully was formerly manager of the real estate securities department for Hicks & Price and prior thereto was with Straus & Blosser. Mr. Gustafson and Mr. Joiner were formerly with Straus & Blosser.

# Set Your Investments Sights Low! Handicaps of European Economic Union

(Continued from page 4)  
ices over a 15½-year period make painfully clear that most stock market forecasters can't forecast an even money bet with more than 50% accuracy.

## The Formula Method

The third broad type of approach is usually described as "formula timing" or "formula planning." It is the newest of the three methods, but has grown rapidly in popularity and use as more and more investors have become disillusioned concerning the results of older methods. It abandons once and for all any attempt to forecast either the direction or the extent of security price movements. It in no way detracts from the desirability of superior security selection, whether it be "growth stocks," cyclical issues with better-than-average possibilities, or whatever the investor wishes, but it does make successful selection less all-important because of the safety factor provided and the opportunities given for building capital simply through taking advantage of price fluctuations as they occur.

As briefly as possible, formula timing is a method of timing switches of capital from stocks into bonds, and vice-versa, on an automatic basis. As stocks rise in price, they are gradually sold and the proceeds invested in more stable securities or held in cash; as stocks decline in price, the "aggressive" side of the account is once again built up according to a predetermined schedule in order to take advantage of the advance in prices which is certain sooner or later to follow. This method depends for success on nothing but the fact that securities always have, and presumably always will, fluctuate over a reasonably wide range.

It is not possible here to describe in detail the various ways in which the formula timing approach can be applied, since our principal concern is with the results that an investor can expect from following it. The interested reader is referred to a comprehensive treatment of the subject, Lucile Tomlinson's "Successful Investing Formulas," published recently by Barron's Publishing Co.

There is, however, one general class of plan, known as the "variable ratio" type, which so far appears to hold out to the investor the best prospects of successful results. Such plans call for a steadily decreasing proportion of aggressive securities, such as common stocks and speculative preferreds, above a "median" line or zone, and for a steadily increasing proportion below that level. The median is usually determined in one or two ways: either through the use of a projected long-term trend line or through the use of a moving average.

For the purposes of this article, two specific variable ratio plans are used as examples. The "Seven Step Plan," originated by The Keystone Company of Boston, is

based upon the trend projection method. The du Pont Institutional Plan, a sample plan provided by Francis I. du Pont & Co., uses a 10-year moving average. The plans are similar in many respects, different in others. The differences, however, are not pertinent to this article.

The important point, which can be perceived from even a hasty glance at the long-term results of these plans, is that either one gives to the investor virtual assurance that an average annual profit goal of 5% is well within the realm of possibility. That figure, in fact, represents very closely just about what the results would have been of following either plan over the past 30 years. Bear in mind that while this statement is based upon applying the plans to past market fluctuations, the use of hindsight is not a factor in the computations, because the formulas are concrete and specific; no decisions would have been involved at the time of their application.

## A 30-Year Record

The accompanying chart compares the effectiveness of the Keystone Seven Step Plan and the du Pont Plan from Jan. 1, 1918 to Jan. 1, 1948 and relates the results of following either plan to a 5% compound interest curve (interest compounded annually). The data are presented on a ratio (or logarithmic) chart which makes possible easy perception of the relative value of percentage changes. Referring to the chart, it can be noted that the vertical distance from 100 to 200 is the same as that from 200 to 400. In other words, a given vertical rise indicates a definite percentage gain. Compound interest accumulations appear as a straight line on this type of chart.

Only the performance of the original capital is indicated in the case of either plan. No income is included. No brokerage is charged to purchases and sales, nor is any attempt made to deduct the taxes which would have been payable on realized gains. To this extent, the results as shown are superior to those which an actual individual investor would have achieved. On the other hand, the Dow-Jones Industrial Average is used to indicate the value of common stocks held. It is not unreasonable to assume that superior security selection or the use of more volatile classes of securities (which provide better results under a formula plan than the more slow-moving classes which the Average represents) would have produced sufficiently more gain to take care of all expenses and taxes.

It is interesting to observe how closely the results of the two plans parallel each other from 1918 to 1938, as well as how closely both parallel the 5% compound interest curve. In more recent years the fluctuations of the stock market have slightly favored the Keystone Seven Step Plan, but under a different set of market

circumstances the du Pont Plan might have its day. In any event, the important point is not how well one plan has performed at certain times or under certain conditions, but rather that both plans do a pretty good overall job of coping with stock market fluctuations in a profitable manner, conserving principal relatively in bad market periods and augmenting it in good ones. Except for temporary periods, most managers of investment capital would find it difficult to surpass the records portrayed.

For the Keystone Seven Step Plan, more detailed figures are available which make it possible to determine the result of following this plan at the end of each intervening year for an account started in any year from 1918 to Jan. 1, 1948.\* A total of 465 periods is covered, ranging in length from 1 to 30 years. Of these, 423 show gains, 39 show losses and 3 show no change. The gains average 90% on the original investment, while the losses average only 14%. It is particularly interesting to observe that an account started in 1929 would have been worth 165% more at the start of 1949 than when it was initiated, which works out to an average annual gain of over 8%, despite the fact that the common stock average used was about 40% lower at the end of the period than at the beginning.

## Peace of Mind

For the investor who will follow Charles H. Dow's advice and content himself with a modest annual profit expectation, the formula timing approach among available methods, appears to offer a virtual certainty that his goal can be reached. At the same time, the indicated results to be expected are sufficient to raise a very logical question as to why anyone, with the possible exception of "professionals" who choose to make their living that way, should undertake the tremendous risks of endeavoring to reach their goal faster.

Peace of mind is an intangible but nevertheless very real asset to the investor. There are no known statistical measures of the incidence of stomach ulcers among common stock investors, but the probability exists that it is higher than for most other groups. When one considers that the stock market only goes up about half of the time, and that most investors get themselves into such a frame of mind that they can only be happy when the market is going up, the probability appears a certainty.

Users of formula timing quickly reach a very different mental attitude. It takes little thought to realize that the investment gains brought about by the use of formula timing are in direct proportion to the number of major fluctuations of the stock market; that is, the number of times in a given period the stock market rises and then falls, or vice versa. As soon as this fact is realized, one's wishful thinking is limited to hoping the market will move either up or down, you care not which. The stock market is usually very accommodating to this approach!

\*James W. Bridges, "Testing Investment Timing Formulas," *The Commercial and Financial Chronicle*, July 22, 1948. Also available from The Keystone Company, 50 Congress St., Boston 9, Mass.

## Guy E. Dilley Joins Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)  
MINNEAPOLIS, MINN.—Guy E. Dilley has become associated with Paine, Webber, Jackson & Curtis, Pillsbury Building. Mr. Dilley was formerly Vice-President of the American National Bank of St. Paul.

(Continued from page 2)

Marshall aid, estimated at about \$800 million in one year, has been especially earmarked to give impetus to this traffic. There are after all countries like the United Kingdom and Belgium which could send much more goods to other countries than they actually do export but which fail to do so because the would-be importing countries are unable to pay for those goods. Although this is partly overcome by the granting of credits to those countries, trade languishes because of their financial impotency. The above mentioned part of the Marshall aid serves to enable the exporting countries through payment to them of American dollars, to supply other countries with those goods without charge. Both the exporting and the importing countries are thereby aided, the exporting countries because they receive American dollars for their exports and the importing countries because they obtain those goods without paying for them.

Although to be sure, through these bilateral agreements and the above-mentioned part of Marshall aid intra-European trade is artificially bolstered up, yet notwithstanding all this it comes to but a fraction of what it was before the war in likewise unfavorable circumstances and is now only a minute part of what it could be under a complete free trade system.

Fear of payment difficulties, as I have already pointed out, is no doubt the principal motive which holds the countries back from throwing their frontiers open. There is, however, another difficulty. It is out of the question for one country to decide on an open-door policy if other countries do not act simultaneously. And how, and here is the crux of the whole matter, how can one persuade the Marshall countries to band together in such mutual action? A free exchange of goods stands or falls by united action alone.

It always demands a tremendous effort and courage to bring changes in what has become mere routine. Man fears the new, the unknown, and its consequences. For all that, it is absolutely essential to decide now and without further delay on united action in order to form betimes a mighty and strong economic bloc as a European counterweight against encroaching Communism. It would appear, however, as if this necessity is not felt to be an urgent one. The reason is perhaps because American aid, to the tune of \$5 billion per annum, levels many difficulties. Why should one in these circumstances take the risks involved in opening the frontiers, when, thanks to this aid, a reasonable standard of welfare can be maintained? One should always bear in mind, however, that the time will come, in the not too distant future, that this aid will cease to flow. It has now already been computed that after a few years, when this help is withdrawn, Europe, pursuing its present policy, will by no means be able to stand on its own feet, and will continue to be dependent on America to the extent of billions of dollars. Is this then not a pressing reason to take betimes the necessary measures? Must one let the golden chance of the moment pass and wait until something irreparable happens? Must one accept with resignation that which will come to pass as being inevitable or is it given to man to decide for himself the course he is to pursue?

I venture to ask, is the manner in which Marshall aid works perhaps not at least partly to blame that European cooperation leaves

so much to be desired? The Marshall countries, each for itself, receive American dollars which they are freely allowed to use for the purchase of goods in no matter which country. Why do they not use these dollars to pay for goods bought in other European countries who are well able to supply them, rather than spend the money exclusively, or at least in the main, in America?

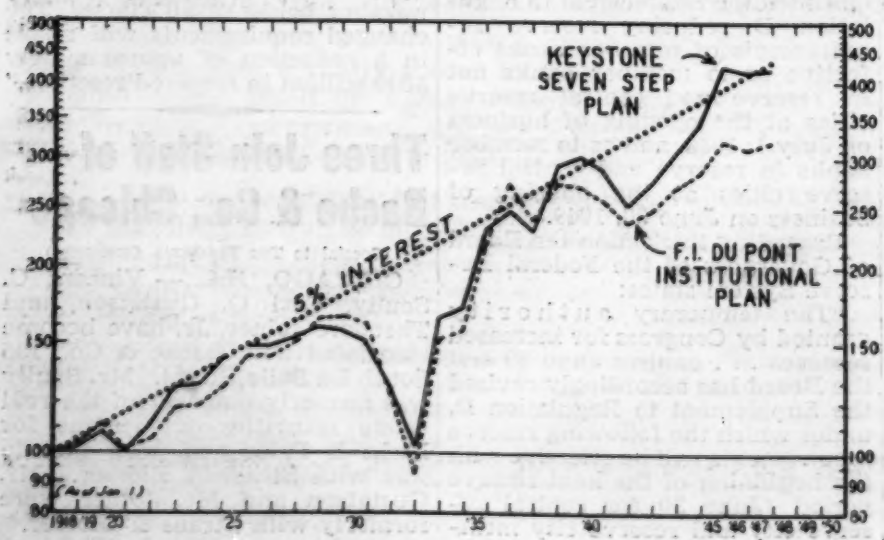
Without doubt, the reason is that in Europe one everywhere and always meets with insurmountable difficulties resulting from the fact that trade between European countries, in contrast with that of America, is tied by bilateral agreements and also because it is easier for the governments concerned to use American credits for the purchasing of American goods. Why does not America guide this trade into other directions? It can not be expected that changes will be made in trade channels as long as the rigid mutual division between the European countries is maintained.

Is one then to conclude that the unification of the Marshall countries to which every effort is being directed can not be achieved? Without a free exchange of goods, without free conversion of one currency into the other, unification shall never be either viable or strong.

But how could the Marshall countries be induced to decide on this necessary mutual free exchange of goods? Circumstances at the moment happen to be most propitious. Marshall aid, as long as it is still given, could surely not be put to better use than to absorb the first shocks connected with the introduction of such a free exchange of goods. There is no doubt that these shocks will in many countries appear in the form of grave payment difficulties; but, and again thanks to Marshall aid, these difficulties can be smoothed over without having created serious disturbances. Surely, of all expedients as summed up above which can serve the balance of payments, credits, as in this case gratuitously supplied by America, are to a country the most ideal and after all the cheapest way to settle outstanding financial commitments. The availability of such credits to countries in need of them should, however, only be granted with the proviso that, either through an effective credit policy or if necessary through devaluation, they balance their financial obligations.

The manner in which Marshall aid is divided among the various countries is based on the trust that they, of their own free will, will do everything in their power to restore the balance of payments without, however, imposing any constraining conditions. Because of this forbearance, no all-out effort to reach this goal has been made. Marshall aid does not compel those countries enough to act together. On the contrary, the manner in which the aid is divided hardens them in their isolation in order to apply the benefits accruing from the aid received in the first place to themselves and not to the commonwealth.

It, therefore, follows, that in order to face the evils outlined above, the manner in which Marshall aid is now distributed stands in need of revision. Concomitant with the general aim, Marshall aid must first and foremost serve to make a free exchange of goods in the Marshall countries possible in order to achieve the ultimate goal, the bringing about of an Economic Union of those coun-



tries, for the salvation of Europe and of the world.

To achieve this aim, it is necessary that a break be made with the present system of allocating certain amounts to certain countries, irrespective of their co-operation in the effort to achieve the common goal, and further that America should decide to place all the moneys in a fund at the disposal of those countries which, through the introduction of a free exchange of goods, would encounter payment difficulties. The realization of this plan could be visualized as a Joint European Bank with a Board of Directors composed of the representatives of the Marshall countries and that this Board, the present OEEC, under American supervision, should have the disposal of the Marshall aid funds.

It goes without saying, that this plan can only succeed and can only be considered if all countries pledge their full cooperation and are prepared to use every means at their disposal to balance their financial obligations; and furthermore—and this is just the point—to follow the instructions given them by the Bank. Co-operation is not possible without the sacrifice of part of one's sovereignty.

If now, whilst the United States gratuitously places its billions at the disposal of the Marshall countries, those countries involved decide on this joint action, there are well-founded prospects that Western Europe in 1952 will be economically strong and independent. If we let this unequalled opportunity pass by, a free exchange of goods in Western Europe will for many years to come remain but a pious hope.

The favorable consequences of such joint action are incalculable. To take one example only: as a result of a free exchange of goods and a strong and prosperous Europe, private credits, which now, because of the obstructions in the way of untrammelled traffic of capital, are blocked, will once again be able to flow freely.

Once economic unification through a free exchange of goods has been achieved, the unification will of itself gain intrinsic strength and the idea, a United States of Europe, will then not be a mere vision of Utopia but will become a reality.

## E. F. Hutton & Co. Opens Chicago Office

E. F. Hutton & Co., members of the New York Stock Exchange, announced the opening of a new office located in the Board of Trade Building in Chicago. John G. Curtis, Franklin G. Clement and Arthur F. Lindley, former partners of Clement, Curtis & Co., which dissolved June 30, 1949, have been admitted to E. F. Hutton & Co. as partners, in charge of its Chicago office.

This acquisition of new facilities in Chicago will enable E. F. Hutton & Co. to expand its own service on securities and commodities trade in the Midwest area.

The firm maintains a nationwide wire system connecting 23 offices in six states and has memberships in 15 leading stock and commodity exchanges.

## Daniel T. Oertel With Floyd A. Allen & Co.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Daniel T. Oertel has become associated with Floyd A. Allen & Co., Inc., 650 South Grand Avenue. Mr. Oertel was formerly Vice-President of Bartling & Co. and prior thereto was with First California Company.

# The State of Trade and Industry

(Continued from page 5)

seasonal nature. Many of them look for a real pickup and a general end of the housecleaning some time next year.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 61.2% of capacity for the week beginning July 5, 1949, as against 79.9% in the preceding week, or a decline of 23.4%.

This week's operating rate is equivalent to 1,128,200 tons of steel ingots and castings for the entire industry, compared to 1,473,000 tons a week ago, 1,642,600 tons, or 89.1% a month ago, and 1,627,600 tons, or 90.3% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

## CARLOADINGS TURN UPWARD IN LATEST WEEK

Loadings of revenue freight for the week ended June 25, 1949, totaled 802,941 cars, according to the Association of American Railroads. This was an increase of 153,590 cars, or 23.7% above the preceding week. It represented a decrease of 85,427 cars, or 9.6% below the corresponding week in 1948, and a decrease of 43,200 cars or 5.1% below the similar period in 1947, when there were labor difficulties in the coal fields.

## ELECTRIC OUTPUT LOWER IN PAST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended July 2, was estimated at 5,410,392,000 kwh., according to the Edison Electric Institute. This represented a decrease of 55,777,000 kwh. below output in the preceding week, 244,567,000 kwh. or 4.7% higher than the figure reported for the week ended July 3, 1948, and 1,220,568,000 kwh. in excess of the output reported for the corresponding period two years ago.

## AUTO PRODUCTION CUT LAST WEEK BY HEAT WALKOUTS

Production of cars and trucks in the United States and Canada the past week dropped to an estimated 146,188 units from last week's postwar record of 153,001 (revised) units, "Ward's Automotive Reports" states.

The total compares with 112,307 units a year ago and 96,457 units in the like week of 1941.

Last week's output consisted of 114,560 cars and 24,398 trucks built in the United States and 4,460 cars and 2,770 trucks in Canada.

Meanwhile, General Motors' production in June set a new monthly record for the company, with more than 273,000 cars and trucks assembled in its U. S. and Canadian plants, "Ward's" stated.

Chrysler and Studebaker also set new records in June, with the former turning out close to 125,000 units and the latter more than 28,000 units, the agency said. Nash output of about 16,000 units was its highest in 20 years, it added.

Output of Ford for the last three weeks has been running "an amazing 20%" over the rate before the May strike, "Ward's" said.

Total production lost because of the Bendix strike, which was settled last week, was estimated by the agency at about 35,000 cars and trucks.

## BUSINESS FAILURES RECEDE IN LATEST WEEK

Commercial and industrial failures fell to 177 in the week ending June 30 from 196 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties exceeded the 103 and 60 occurring in the comparable weeks of 1948 and 1947, but were well below the pre-war total of 264 in the same week of 1939.

All industry and trade groups except manufacturing had a decline in failures. In manufacturing, failures rose to 56 from 47 and compared with 31 a year ago. Casualties were more numerous than in 1948 in all lines except wholesaling. The sharpest increases appeared in retail trade and construction.

The Middle Atlantic States and Pacific States reported a slight decline. The drop was somewhat sharper in the East North Central States. The week's only increases occurred in the South Atlantic and East South Central States where casualties were up to 11 and 7 respectively. In comparison with 1948, an increase prevailed in all areas except the New England and Mountain Regions.

## WHOLESALE FOOD PRICE INDEX SLIGHTLY HIGHER IN WEEK

The wholesale food price index, compiled by Dun & Bradstreet, Inc., edged slightly higher last week. Individual price movements continued mixed and the index rose one cent to stand at \$5.69 on June 28, from \$5.68 a week previous. Compared with last year's \$7.14, the current figure shows a drop of 20.3%.

The index represents the sum total of the price per pound of 31 foods in general use.

## COMMODITY PRICE INDEX RECEDES FURTHER RECORDING ANOTHER NEW LOW SINCE EARLY FEBRUARY, 1947

There was a further downward trend in the general level of prices last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., dipped to 238.15 on June 28, a new low since early February, 1947, as compared with 241.59 a week earlier. At this time a year ago it stood at 286.51.

Grain markets were more active last week and price movements continued irregular.

Following early strength predicated on unfavorable crop news from the Southwest, wheat prices declined sharply toward the close, influenced by expanding harvest operations and increased receipts at terminal markets.

Corn prices held in a narrow range and the market developed moderate strength, prompted by small offerings from the country and broadened demand for the cash article. Although flour demand

improved somewhat, total domestic bookings were below expectations for this season of the year and in most cases orders were small and for immediate or nearby shipment.

Cocoa values held strong, reflecting good demand in the actual market and continued absence of pressure from producing areas. The undertone in butter showed some improvement as the result of less selling pressure. Coffee was in good demand with prices holding near their seasonal peaks. Raw sugar prices were slightly easier as refined prices tended to soften.

Livestock markets were generally firmer last week as wholesale meat prices continued to improve.

Market receipts of hogs were sharply curtailed and prices moved upward for the first time in several weeks. Cattle prices were firmly maintained under good demand. Sheep and lambs were stronger as supplies continued very small. Lard futures were off slightly in the week but the cash lard market remained steady.

Following an early rise which carried prices to new high levels for the season, the cotton market turned downward and closed with a net decline of about 60 points for the week.

Spot market activity fell off as demand for both domestic and export account continued relatively slow.

Reported sales in the ten spot markets dropped to 38,400 bales in the latest week, compared with 45,900 the previous week and 31,700 in the corresponding week a year ago. The more distant deliveries showed comparative strength but the nearby July contract declined sharply as demand slowed up in the closings sessions.

Trade sentiment appeared to reflect the unfavorable trend in domestic cotton mill consumption and expectations of a possible curtailment of mill operations this summer. Repossessions of 1948 loan cotton during the week ended June 16 declined sharply to 41,130 bales, from 68,865 the week previous, and 96,800 two weeks earlier.

Withdrawals for the season through June 16 totaled 1,336,444 bales, leaving a net stock in the hands of the CCC on that date of 3,934,608 bales. Stocks of cotton held in public storage at the end of May were reported at 5,080,000 bales, against 2,233,000 a year ago.

## RETAIL AND WHOLESALE TRADE SHOWS NO IMPORTANT CHANGE IN LATEST WEEK

There was a favorable consumer response to month-end mark-down sales and seasonal promotions in the period ended on Wednesday of last week. While total retail volume rose fractionally, it remained moderately below the unusually high level of a year ago, Dun & Bradstreet, Inc., reports in its current summary of trade. Price reductions were widely advertised, but generally were moderate in size. Shoppers continued to seek lower-priced goods in most lines.

Apparel volume was up slightly last week as sportswear and lightweight suits were sought by vacation-minded consumers.

Low-priced goods continued to attract attention and moderate markdowns on men's suits in some areas evoked considerable response.

Light suits and wash dresses remained in high demand among the women shoppers in many localities.

Retail food volume was sustained at a high level the past week. Prices of meats and fresh vegetables dipped generally although higher prices for fresh produce were reported in some drought sections in the East. Hot weather specialties such as cold cuts, ice cream and some beverages were in increased demand; the buying of staple foods generally was steady.

There continued to be a high demand for many types of durable goods.

The sales of television sets rose slightly and there was a seasonal increase in the purchasing of electric fans, refrigerators and garden furniture. Hardware, farm implements and automobiles sold well. The volume compared favorably with that of a year ago. Jewelry was sought for graduation and wedding gifts and demand for luxury goods generally was below a year ago.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 2 to 5% below a year ago.

Regional estimates varied from the level of a year ago by the following percentages: New England and Midwest from —4 to —7; East, South and Northwest from 0 to —4; Southwest from —3 to —6 and Pacific Coast from —2 to +2.

Total wholesale order volume last week was approximately even with that of the preceding week, but remained moderately below that of the comparable 1948 week. Buyer attendance at many of the wholesale markets dropped moderately in the week, but it remained well above the level of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 25, 1949, decreased by 6% from the like period of last year and compared with a decrease of 8% in the preceding week. For the four weeks ended June 25, 1949, sales registered a decrease of 7% from the corresponding period a year ago and for the year to date a decline of 4%.

Retail trade in New York last week showed little change from the current trend in dollar volume. As a result department stores recorded a decline in sales of about 11% for the period.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 25, 1949, declined by 7% from the same period last year. In the preceding week a decrease of 10% was registered below the similar week of 1948. For the four weeks ended June 25, 1949, a decrease of 10% was reported under that of last year. For the year to date volume decreased by 6%.

## Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Despite F. R. B. action and optimistic forecasts market still in heat doldrums.

A lot has been said and still more has been written in past weeks about the business picture. Though statistics seem to favor those optimistically inclined, the day to day hard facts, the stock market fluctuations, don't back them up.

It is interesting to read, for example, that the Federal Reserve Board has cut down the open market selling of government securities. It is equally interesting to read official forecasts from heads of governmental departments that no recession is in sight. In fact there is more to read daily about what not to fear than there is on the opposite side of the fence.

Reducing the Federal Reserve System's announcement to the language of the man in the street, it means that banks will be in a better position to make commercial loans from here in. The trouble is that the man who needs the loan will still have to show a good balance sheet to get it. Whether or not the Federal Reserve sells, buys or trades government bonds will make little difference to the average small businessman who needs a loan.

Basically the picture hasn't changed; at least not so far as the stock market is concerned. Stocks go up because somebody, or enough somebodies, are buying them in the belief, or hope, they'll be able to sell them for higher prices. When that inducement isn't present, there's little buying to boast of.

Last week some stocks went up a little; others went up and still others did little. The major market outlook hasn't changed. Forecasts of better

business have so far found little support in market action. Maybe because it's too hot. Or maybe because it's whistling in the dark.

This column would rather be bullish than bearish if for no other than a selfish reason. There are more bullish readers than bearish ones. But at the same time there is a market to consider which doesn't show much of anything.

For the next few weeks the writer will look at the market from a Connecticut board room. Maybe there it will look different. Right now the

outlook remains the same as it was last week and the week before: No up movement of worthwhile proportions anticipated. Several rallies ahead followed by equal declines. If such a pattern is repeated often enough it may breed within it the makings of a good enough rally to follow. But until there is more verification, the sidelines with a cool tall drink, seems awfully appealing.

More next Thursday.

—Walter Whyte.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

## Business Activity Is Gradually Declining

(Continued from page 13)

savings of individuals have risen to the very large total of \$160 billion and have been increasing at a rate of almost \$1 billion monthly. These savings are about equally divided among savings accounts, savings bonds, and life insurance with a somewhat smaller percentage in savings and loan associations. The amounts have more than doubled since the prewar years and are large enough to constitute an important factor in the prospects for future business activity. Personal holdings of cash and bank deposits have also increased and can be considered as additional purchasing power in the hands of consumers. These facts, together with the decline in prices, indicate that the markets for goods are still very large and will be sufficient to maintain a high level of business activity.

High consumer incomes do not guarantee that a decline in business activity will not take place—even a fairly substantial one. They do mean, however, that the decline is likely to be more gradual and to be stopped at a relatively high level as compared with previous normal ones. Support of this kind is significant for business.

### Other Types of Spending Large

Spending by business for new plants, equipment, and inventory is the second major force helping to maintain a high level of business activity and to keep the decline from becoming too great. The accumulated needs for additional and newer equipment are not so great as they have been but they are still enormous. Normal expenditures for productive machinery to make peacetime products were deferred during the war years and not all these shortages have yet been made up. The rate of spending for these purposes has been high for almost three years and it is continuing at a very high rate. Curtailment in expansion plans by some businesses have been offset by increases in others and by the extensive governmental spending. Some estimates indicate that business spending this year may be within 15% of the unusually large amount of last year.

Higher wage rates have a tendency to increase the use of machinery in order to lower production costs. Even a short slowing-down in business or a lull in consumer demand would not greatly curtail these expenditures as the need would be even greater to keep production costs as low as possible. Expenditures now are much higher in comparison with current output than they are normally.

The long-range trend is toward the greater use of equipment and

in the postwar period that trend has been rising more rapidly. During the last 75 years, capital per worker has been increasing at a rate of over 2% a year, except during the depression period of the 1930's. To restore the normal relationship between capital and the output of industry will require a continuation of large expenditures. This factor will be one of those which will do much to assure a high rate of production in the capital goods industries which is always an essential characteristic of prosperous business conditions. This fact should be kept in mind even though temporary sharp declines in the production of capital goods may be expected when demand slackens. Any policy which will help maintain the proper balance between business costs and business income will do much in the long run to assure that prosperous conditions will prevail.

Business spending for inventory has been sharply curtailed and the total stocks of goods on hand by manufacturers, wholesalers, and retailers have dropped below the peak of last year. This change is of major significance and it is far-reaching in its effects, which are in the cumulative and in the opposite direction from that of the last three years when inventories were being increased each month. The stimulus of that increase was added to the enormous demand from buyers of finished goods and has been one of the important factors in the upward trend.

Now the effect of declining inventories is to reduce buying all along the line. Distributors will purchase less while they are working off surplus stocks of goods. Manufacturers also are following a policy of trying to avoid piling up more finished goods and, hence, will not only reduce current buying but also curtail even more their purchases of raw materials.

Inventories are not yet burdensome in comparison with the reduced current sales but the cumulative effect which comes from even moderate declines is an important aspect of the current dullness. This tendency is likely to be quite temporary unless sales fall off much more than is now indicated. Of course, the reduction of \$300 million in manufacturers' inventories during the last month represents a change of about twice that amount of buying. The average monthly increases during the last three years have been close to that amount. Changes in inventories will be watched closely during the next few months for they provide a

significant indicator of possible future trends in general business.

### Factors Accounting for the Decline

Inventory reduction combined with slackening in both consumer and business demand is sufficient to account for much of the downward trend in business. It is the direct result of the fundamental change in supply and demand relationships in many lines of industry and trade. For the first time in the postwar period, supplies have more than caught up with demand. The readjustment may be comprehensive enough to require an additional reduction of from 5% to 10% before a more stable base is established. Such a decline would represent only a moderate recession from which recovery could soon take place.

### Banking and Finance Lower

Trends in most aspects of banking and finance have been quite similar to those in general business. Most striking has been the steady decline in the use of bank credit. The total of commercial, industrial, and agricultural loans has been dropping steadily for over five months, with only minor interruptions. The amount is now below that of a year ago and close to 20% below the peak of last December.

A number of factors account for this decline. Reduction of inventories is one that is important as many of the bank loans had been made for the purpose of adding to working capital or to stocks of goods on hand. Curtailment of business expenditures for plant expansion and for similar projects have also reduced the demand for loans. A large number of postwar business and industrial equipment plans have been completed and paid for.

Another factor accounting for reduced bank credit has been the high level of costs while prices of finished goods have been becoming lower and demand less. The effect of the rapid rise in costs of labor and materials has been fairly well concealed in many businesses which could pass them on to the consumer. Now that policy is no longer possible and the result is a steady narrowing of the margin between selling prices received for products and costs of producing those products. That effect will become even more prominent with each reduction in sales and it will be especially significant if costs of labor and materials should be pushed higher under current conditions. Rising costs under present conditions will be definitely deflationary in their effects and push business activity lower.

This general uncertainty is reflected in the present low level of security prices, especially in comparison with earnings. Seldom have those earnings, which are still but little under those of a year ago, been capitalized at such a low rate as at the present time. The general level of security prices is now close to the lowest in over three years and practically all the postwar gains have been lost. Normal relationships between earnings and prices will be restored either by a sharp rise in prices or an equally sharp decline in earnings. Since the break-even points are very high in many businesses, investors are evidently waiting to see how much profits will go down when sales fall off. In the past under somewhat similar conditions the drop in profits has been drastic, although after the readjustments to the lower level of business had been completed they again turned upward, and carried security prices with them.

Dividend payments have so far held up better than profits, as they usually do in the first part of a period of declining business. Dividends paid by corporations so far this year have been over 5% higher than they were during the corresponding period last year.

They reflect not only the large profits which have been earned but also the fact that many corporation directors have decided that they do not need to set aside such a large percentage of earnings to expand plant capacity. They also indicate the relatively strong financial condition of corporations which have ample working capital for current and contemplated future needs. A more liberal dividend policy is usually a sign of confidence in the long-run future even though business activity may decline for a short time.

Bond prices have continued to move steadily lower and are now about 3% below the level of a year ago. The decline has been due partly to the feeling of uncertainty as to the future, but it has also been closely related to the moderate rise in interest rates. The cost of borrowing has increased above the low point but it is still very low as compared with what has previously been considered normal. Interest rates vary more widely than usual among different kinds of loans.

Business failures are continuing to increase and have reached the highest level since 1942. They are currently about double those of last year, although they are much below the rate at which businesses were failing in the prewar years. As compared with the total number of concerns, they are currently running at an annual rate of about 30 per 10,000 concerns. In 1940 failures amounted to 63 per 10,000. The upward trend indicates the increasing difficulties which many businesses are facing in finding markets for their goods or services and in keeping costs of operation below the reduced prices at which sales must be made.

Other aspects of banking and finance show but little change. Increased savings and time deposits have partly offset the decline of 15% in demand deposits. Bank holdings of government securities have been reduced, while the holdings of other types of securities have increased. Bank loans on securities and on real estate have increased.

### Employment Holds Up Fairly Well

Total employment has been maintained at a much higher level than has been suggested by the prominence given to special instances of extensive layoffs by individual companies. Almost as many people are working now as were employed last year, with the total estimated at well over 58 million. Not all these people are working full time, however, and the average work week in manufacturing has declined almost two hours during the last 12 months. It is less than at any time in the postwar period, although it is still considerably above the prewar peak.

Unemployment is close to 4 million which represents about 7% of the number of persons employed. Unemployment insurance payments are rising rapidly and they will be a factor in helping to maintain purchasing power during the period of reduced employment. These payments can not, of course, offset fully the declines in regular incomes of those working.

### Trends in Leading Industries

Variations in the rate of operation in major industries are somewhat greater than usual. The current rate of output in different lines varies from 5% to 20% below the rate of a year ago and is somewhat more than that below the peak.

The steel industry has been one of the lines making the best showing so far this year but the rate of operations has been falling for several weeks. The industry is now turning out steel at less than 90% of capacity and further reductions are expected this month. The weekly output of

## Pacific Coast Securities

Orders Executed on  
Pacific Coast Exchanges

## Schwabacher & Co.

Members  
New York Stock Exchange  
New York Curb Exchange (Associate)  
San Francisco Stock Exchange  
Chicago Board of Trade  
14 Wall Street New York 5, N. Y.  
ORtland 7-4150 Teletype NY 1-928  
Private Wires to Principal Offices  
San Francisco—Santa Barbara  
Monterey—Oakland—Sacramento  
Fresno—San Jose

1,550,000 tons is 8% lower than last year. Lower prices for scrap iron reflect the greatly reduced demand, although the buyers of many kinds of finished steel are still ordering in large amounts. Government purchasing as well as buying for heavy construction projects are the most favorable aspects of the situation in the steel industry. Industries making heavy machinery and equipment are also buying in fairly large amounts.

Purchase of farm machinery has been high until recently, but now is from 10% to 15% lower. Labor saving machinery of many types is being purchased almost as extensively as last year. New orders for freight cars have dropped off sharply.

The automobile industry is the major bright spot in the current situation, although its output has been hampered by work stoppages and by shortages of certain parts. Weekly output of cars and trucks has been running well above 130,000 and the industry is expecting to make a new record this year of close to 6 million. Demand for cars is holding up well, although unfilled orders are being reduced, they are still large. Price reductions have had some effect in further stimulating purchasing. Supply and demand is becoming more nearly in balance, how-

ever, and more emphasis is being placed on aggressive sales and merchandising methods to keep up sales and production.

Production of electricity is also holding up well, with the number of kilowatt-hours produced weekly above that of a year ago. This comprehensive indicator is of special significance as it reflects conditions in manufacturing, in commercial firms, and among consumers.

Coal production took a spurt upward just before the holiday last month when weekly output was the highest in a year. Total output so far this year, however, has run more than 10% lower than during the corresponding period last year. Demand has fallen off and stocks on hand are fairly large.

The output of petroleum has declined at about the same rate and is now running 11% lower than last year. Demand is high, through, and output is expected to hold quite stable during the remainder of the year. Use of natural gas has increased.

The textile industry, both, cotton and wool, is back very close to prewar levels in comparison with population. It was one of the industries to decline early and may be expected to turn upward among the first of the major industries.

ing, the public utility field or in any other field of economic endeavor, direct competition of the government with private capital is basically unsound under our present economic system.

#### Enlarging Government Lending Agencies

The most recent expansion of government lending in the private banking field is H. R. 3699, favorably reported by the House Agriculture Committee. It is another step to enlarge the credit facilities of the land banks and national farm loan associations at the expense of commercial banks. Under this measure the present \$50,000 loan limitation of any one borrower would be removed. The admitted purpose of the bill is to permit the land banks and co-ops to make the "better type" loans.

As most of you know, there are 44 different agencies of our government engaged in some form of lending to individuals and corporations. Fortunately only a small portion of this total is engaged in the type of lending which is generally considered suitable for commercial banks. When an allowance is made for those agencies which lend only to foreign countries, those which specifically rediscount paper of another agency, and those which are by statute prohibited from making a loan to a borrower who could obtain the desired credit elsewhere, we find probably seven agencies of the United States Government which are in direct competition with banks.

In looking at the historical beginning of these agencies, I must admit that for the most part they came into existence because banking could not or did not meet a particular need. In some cases, the banks welcomed the agencies and assisted in their organization. As far as I can determine, the agencies have not as yet engaged in any ruinous competition with private banking.

Nevertheless, the threat of government socialization of credit remains as long as such agencies continue and as long as the government has the right and the desire to create other such organizations. The recent turn in the trend of bank loans should serve as a warning signal to each one of us that demand for new uses of the government's credit may be resumed. Government loans were, for the most part, soft-pedaled under the inflationary conditions of much of the postwar period, although they did not entirely fade from the picture. Now the situation has changed. The monetary authorities are no longer seeking to discourage the expansion of credit. Demand for loans has fallen off, and we may reasonably expect a renewal of efforts to secure new guaranties and direct loans from government agencies. Let us be alert to this possibility. Let us never lose sight of the fact that at any time, under any circumstances, when private banking fails to make needed credit available, there will always be a government agency ready and eager to start in the banking business. And we should not forget that, once initiated, government agencies seem to have a way of expanding and perpetuating themselves.

I have discussed at length some of the factors which I believe constitute a serious threat to the continuation of our free, independent, privately owned banking system. These are not minor and unimportant incidents. I would state unequivocally that anything which possibly jeopardizes the future of our banks is not unimportant and should receive our full and immediate attention.

#### Necessary Basic Actions in Opposition

In my opinion, if bankers are to meet the threats opposing them,

two basic actions are necessary. First, we must have a clear recognition and an intelligent understanding of the regulatory functions of our Federal and State governments. All of us readily admit that banking is "clothed with a public interest" and should, therefore, be subject to some form of supervision. But we must be able to detect the difference between supervision and control. When this distinction is made, we must actively oppose any extension of power by our supervisory bodies, which, by itself or in conjunction with other acts, tends to emphasize control, rather than supervision.

In the second place, if private banking is to endure, we must so strengthen our banking system that we shall be in a position to render the kind of banking service needed by our country. We must render this service in times of emergency as well as in normal times; in periods of depression and in periods of prosperity. Our best defense is in the continual improvement of our banks and banking practices. Our goal, it seems to me, is simple. But the means of achieving this objective are more difficult. As individual and as individual bankers each of us can do his part, but if we are to achieve lasting success we must unite as an association and strive together toward the accomplishment of our ultimate objectives.

Virginia bankers are at the crossroads. Which road shall we travel? Shall we put up a courageous fight for banking as an institution of free enterprise? Or shall we, by our own indolence and inertia, allow ourselves to become another numbered government agency, to be operated by rules and regulations promulgated in Washington?

If we feel that conditions indicate a trend toward socialization of banking, our Association must set up a broad program which would have as its goal the constant improvement of banking within our State. There must be a continuity of effort in seeking our objectives. This program could be varied slightly each year to meet changing conditions, but the ultimate objectives must be kept constantly before our members. Banking as a free enterprise in the American business world is not free. It must be purchased with brains, energy, and a determination to win. It can be preserved only by eternal vigilance.

#### Need A Stronger Bankers Association

By what process, then, can our Association help to avert the possible trend toward socialization of banking? My answer is simple: build a stronger Virginia Bankers Association. An Association with a program; with definite objectives to be attained each year; an Association with a membership imbued with determination to keep banking as a free enterprise to meet the banking needs of our communities; an Association equipped to inform our members of the present-day trends in banking.

What is the first great need of Virginia banks today? We need better informed bankers — men who are cognizant of the trends of present-day banking and what they mean; men who are willing to study, to think, and to act. Men with these qualifications can give banking the leadership which it needs today.

To accomplish this, we must start at the bottom. First, we must secure educated personnel and give them intelligent bank training. Second, we must encourage our personnel to study, so that they can improve themselves. This can be accomplished through the American Institute of Banking. Chapters and study groups do not operate of their own momentum; the officers of our banks must foster them and

make them worth while. The American Institute of Banking studies naturally lead to the ABA Graduate School at Rutgers. Keep that capstone of banking education before your personnel. To me the fact that in the fourteen years since the Graduate School of Banking was established at Rutgers only 85 Virginia bankers — an average of six each year — have taken advantage of this outstanding educational opportunity, does not reflect favorably upon the ambition of our Virginia bankers to improve themselves in their chosen profession.

Make it possible for your officers and your senior personnel to attend the Virginia Bankers Conference held each year at the University of Virginia. The lectures given at this Conference afford an excellent opportunity for Virginia bankers to obtain a vision of banking and the part that it plays in the economic life of our State. You will soon see the results of this educational program in your own employees, and your bank will be repaid many times for the small cost involved.

What is the second great need of Virginia banks today? Unquestionably it is better public relations. The best evidence of the importance for public relations, as far as our Association is concerned, is the fact that this year's work was built around a Planned Public Relations Program. As a result of the work done this year, I believe that a greater number of Virginia bankers than ever before are aware to the fact that good public relations is essential to good bank management. The public must be informed, and it is the responsibility of the bankers to let them know what banking means to their communities.

In order to fulfill the needs which I have suggested, the office of the Secretary and Treasurer of our Association should be expanded. The details of the office routine should be in the hands of trained assistants, so that the full time of the Secretary could be devoted to the development and carrying out of our program. The Secretary should be working with our committees — especially those like Agriculture, Bank Management and Research, and Banking Education and Public Relations. The accomplishments of these committees, to be of greater benefit to the Association, should be carried to the individual banker in the field. Today there is constant pressure of office details on our Secretary, and time permits him to do only a part of this field contact work.

The regional clearing houses are the blood-stream of our Association. Keep them alive and active. Through them our Secretary should work. Through them panel discussions on current banking problems should be conducted. Through your Secretary's office these programs should be prepared and directed.

All this can be done only with the full cooperation of the individual banker. The results will be of value only if used by the bankers. We must have your sympathetic support if we are to succeed with our program. But, if we can do all this, we are going to develop in Virginia a group of wide-awake, well-informed bankers, familiar with the banking needs and opportunities of our communities. We must find a way to fulfill the banking needs of our communities in bad times as well as in good times. When we can achieve that goal, we can forestall any trend toward the socialization of banking.

#### In New Connection

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ORE. — Frederick W. Zerenner is now associated with Equitable Savings & Loan Association. He was formerly with John Galbraith & Co.

## We Must Combat Threats To Private Banking

(Continued from page 7)

individual banks. A bill is pending to continue this regulation for a period of two years.

It now appears that public opposition will prove successful in defeating this bill, so that the control will expire on June 30. However, this fact should not lead us to relax our vigilance against controls of this type. Our interest should extend beyond that of bankers who seek to retain traditional discretion over the terms of lending to our customers. We must also recognize the effect such control exerts over the freedom of the individual to incur an obligation and to assume the responsibility for its liquidation under contract with his bank or other lender. Controls of the type defined by Regulation W are important, because they are selective and circumvent broad monetary policy. We must guard against their possible extension to other areas of credit, such as business lending or real estate mortgages.

#### Hoover Commission's Proposal

As a second illustration of the types of reforms striking at the very foundations of our free banking system, I would call to your attention certain sections of the Hoover Task Force Report dealing with the proposed reorganization of our Federal Government. The Hoover report treats the Federal Reserve System in its "Task Force Report on Regulatory Commissions," along with the Interstate Commerce Commission, the Federal Power Commission, and the Federal Trade Commission. The Task Force Report proposes greater concentration of power in Washington, and the removal of power from the directors and officers of the individual Federal Reserve Banks.

The language of the report sounds very much like that of an efficiency expert seeking a clear line of authority from the Treasury Department down through the Federal Reserve Banks. Our central banking system was not founded on any such principle. It was founded as a mechanism by which the economic life of all the people in the country is influenced in the direction of greater stability and growth.

It has been generally recognized by authorities on central banking that, in the long run, there is grave danger in subjecting the central bank to the dictates of the Treasury, the most important borrower. In countries governed by totalitarian power or subject to planned economy and socialistic control, we have witnessed the domination of the central bank by the government through outright ownership, for the purpose of making it, in effect, an agency of the Treasury. We must be alert to such dangers in any plans for reorganization of our monetary and fiscal mechanism. This is an area which is vital to the preservation of our democracy, since history shows that those who have sought to control the economic life of a citizenry have launched, at the outset, an attack on the independence of the central banking system.

A third illustration is to be found in Senate Bill 1775 now pending in Congress. One purpose of this bill is to ask Congress, for the first time, for power to require reserves to be kept at the Federal Reserve Banks from 4,500 nonmember insured banks — which are chartered by and supervised by the State banking authorities and whose reserve requirements are now set solely by State laws. Congress has always preserved the right of State banks to accept or reject membership in the Federal Reserve System. The bill now pending would void that policy, by subjecting State banks to part of the requirements of Federal Reserve membership without granting them the advantages of membership. This strikes at the foundation of our dual system of banking.

There is another menace facing our privately owned banks. This threat is open, readily seen by us and the public, and its trend can almost be measured in terms of dollars and cents over a period of years. I have in mind the direct extension of credit by agencies of the United States Government in competition with privately owned banks. All Federal agencies are financed originally by money received from the taxpayer, and whether it is in bank-

# Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

AMERICAN IRON AND STEEL INSTITUTE:					Latest Week	Previous Week	Month Ago	Year Ago
Indicated steel operations (percent of capacity).....					July 10	61.2	73.9	89.1
Equivalent to—								
Steel ingots and castings (net tons).....					July 10	1,128,200	1,473,000	1,642,600
1,627,600								
AMERICAN PETROLEUM INSTITUTE:								
Crude oil output—daily average (bbls. of 42 gallons each).....					June 25	4,889,400	4,867,650	4,897,000
Crude runs to stills—daily average (bbls.).....					June 25	5,322,000	5,171,000	5,237,000
Gasoline output (bbls.).....					June 25	18,462,000	17,998,000	18,324,000
Kerosene output (bbls.).....					June 25	1,653,000	1,530,000	1,550,000
Gas oil and distillate fuel oil output (bbls.).....					June 25	5,148,000	5,228,000	5,943,000
Residual fuel oil output (bbls.).....					June 25	7,856,000	7,693,000	8,144,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—								
Finished and unfinished gasoline (bbls.) at.....					June 25	115,715,000	116,403,000	120,661,000
Kerosene (bbls.) at.....					June 25	23,313,000	22,504,000	20,953,000
Gas oil and distillate fuel oil (bbls.) at.....					June 25	63,049,000	61,445,000	55,971,000
Residual fuel oil (bbls.) at.....					June 25	66,146,000	65,594,000	63,168,000
58,858,000								
ASSOCIATION OF AMERICAN RAILROADS:								
Revenue freight loaded (number of cars).....					June 25	802,941	649,351	794,824
Revenue freight received from connections (number of cars).....					June 25	573,843	577,963	616,995
888,368								
710,604								
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD:								
Total U. S. construction.....					June 30	\$180,900,000	\$215,170,000	\$123,055,000
Private construction.....					June 30	96,484,000	84,840,000	46,779,000
Public construction.....					June 30	84,416,000	130,330,000	76,276,000
State and municipal.....					June 30	61,621,000	83,963,000	66,170,000
Federal.....					June 30	22,795,000	46,367,000	10,106,000
21,303,000								
COAL OUTPUT (U. S. BUREAU OF MINES):								
Bituminous coal and lignite (tons).....					June 25	11,780,000	*2,215,000	11,285,000
Pennsylvania anthracite (tons).....					June 25	1,139,000	121,000	1,179,000
Beehive coke (tons).....					June 25	73,400	*19,700	121,400
144,300								
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100:					June 25	247	285	275
262								
EDISON ELECTRIC INSTITUTE:								
Electric output (in 000 kwh.).....					July 2	5,410,392	5,466,169	5,018,270
5,165,825								
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.:					June 30	177	196	165
103								
IRON AGE COMPOSITE PRICES:								
Finished steel (per lb.).....					June 28	3.705c	3.705c	3.705c
Pig iron (per gross ton).....					June 28	\$45.91	\$45.91	\$45.91
Scrap steel (per gross ton).....					June 28	\$19.33	\$20.25	\$21.75
\$40.66								
METAL PRICES (E. & M. J. QUOTATIONS):								
Electrolytic copper—								
Domestic refinery at.....					June 29	15.700c	15.700c	17.325c
Export refinery at.....					June 29	15.925c	15.925c	17.550c
Straits tin (New York) at.....					June 29	103.000c	103.000c	103.000c
Lead (New York) at.....					June 29	12.000c	12.000c	12.000c
Lead (St. Louis) at.....					June 29	11.850c	11.850c	11.850c
Zinc (East St. Louis) at.....					June 29	9.000c	9.000c	11.000c
12.000c								
MOODY'S BOND PRICES DAILY AVERAGES:								
U. S. Government Bonds.....					July 5	103.27	101.75	101.60
Average corporate.....					July 5	113.31	112.93	113.12
Aaa.....					July 5	119.20	118.80	117.40
Aa.....					July 5	117.60	117.20	117.40
A.....					July 5	112.37	112.19	112.56
Baa.....					July 5	104.66	104.43	104.93
Railroad Group.....					July 5	107.44	107.44	109.16
Public Utilities Group.....					July 5	114.85	114.45	114.27
Industrials Group.....					July 5	117.60	117.40	117.60
116.41								
MOODY'S BOND YIELD DAILY AVERAGES:								
U. S. Government Bonds.....					July 5	2.26	2.37	2.38
Average corporate.....					July 5	2.99	3.01	3.00
Aaa.....					July 5	2.69	2.71	2.71
Aa.....					July 5	2.77	2.79	2.78
A.....					July 5	3.04	3.05	3.03
Baa.....					July 5	3.47	3.43	3.46
Railroad Group.....					July 5	3.31	3.31	3.27
Public Utilities Group.....					July 5	2.91	2.93	2.94
Industrials Group.....					July 5	2.77	2.78	2.77
2.83								
MOODY'S COMMODITY INDEX.....					July 5	333.7	332.8	340.2
434.7								
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:								
Foods.....					July 2	214.1	214.0	219.7
Fats and oils.....					July 2	135.4	136.9	141.2
Farm products.....					July 2	228.0	230.3	233.7
Cotton.....					July 2	309.5	311.9	309.1
Grains.....					July 2	192.7	194.1	188.0
Livestock.....					July 2	225.8	229.0	236.3
Fuels.....					July 2	214.2	214.1	213.1
Miscellaneous commodities.....					July 2	162.2	162.1	162.4
Textiles.....					July 2	184.0	184.7	185.2
Metals.....					July 2	166.0	166.1	169.7
Building materials.....					July 2	211.0	212.7	212.4
Chemicals and drugs.....					July 2	139.6	137.5	137.6
Fertilizer materials.....					July 2	142.1	141.2	141.1
Fertilizers.....					July 2	150.5	150.5	150.5
Farm machinery.....					July 2	155.8	155.8	155.8
All groups combined.....					July 2	200.6	201.3	203.6
226.8								
NATIONAL PAPERBOARD ASSOCIATION:								
Orders received (tons).....					June 25	158,700	150,021	149,534
Production (tons).....					June 25	169,612	167,196	157,613
Percentage of activity.....					June 25	80	78	77
Unfilled orders (tons) at.....					June 25	241,787	254,033	238,745
336,183								
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100:					July 1	127.9	128.1	129.4
146.9								
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:								
All commodities.....					June 28	153.1	153.2	156.1
Farm products.....					June 28	165.2	167.0	173.7
Foods.....					June 28	161.6	159.9	165.9
All commodities other than farm and foods.....					June 28	144.8	145.0	145.8
Textile products.....					June 28	135.1	135.1	135.5
Fuel and lighting materials.....					June 28	131.0	131.0	130.5
Metals and metal products.....					June 28	165.6	165.6	167.3
Building materials.....					June 28	191.7	190.9	192.2
All other.....					June 28	126.5	127.4	128.7
136.1								
Special indexes—								
Grains.....					June 28	151.2	156.4	149.9
Livestock.....					June 28	208.2	206.7	224.3
Meats.....					June 28	225.1	220.9	239.3
Hides and skins.....					June 28	182.9	186.5	189.6
220.5								
*Revised figure. †Includes 374,000 barrels of foreign crude runs. ‡Not comparable with other periods which are on new basis of reporting in California. Principal changes exclude cracking stock from distillate and residual fuel oils. §The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive.								
AMERICAN GAS ASSOCIATION—For month of May:								
Total gas (M therms).....						2,544,850	2,925,046	2,470,358
Natural gas sales (M therms).....						2,272,543	2,626,031	2,204,179
Manufactured gas sales (M therms).....						175,731	200,459	182,003
Mixed gas sales (M therms).....						96,576	98,556	84,176
BUSINESS INCORPORATIONS, NEW IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of May:					7,445	7,273	8,246	
CARBON BLACK (BUREAU OF MINES)—								
Month of May:								
Production (lbs.).....					105,356,000	107,237,000	113,222,000	
Shipments (lbs.).....					90,430,000	89,608,000	107,564,000	
Producers' stocks (lbs.).....					171,333,000	156,406,000	97,688,000	
Exports (lbs.).....					Not Avail.	27,811	32,354	
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD—Month of May:								
Total U. S. construction.....					\$896,123,000	\$889,693,000	\$596,332,000	
Private construction.....					436,740,000	424,021,000	330,830,000	
Public construction.....					459,383,000	465,672,000	265,502,000	
State and Municipal.....					338,238,000	266,003,000	207,255,000	
Federal.....					121,150,000	49,669,000	58,247,000	
COAL EXPORTS (BUREAU OF MINES)—								
Month of April:								
U. S. exports of Pennsylvania anthracite (net tons).....					424,145	300,652	670,771	
To North and Central America (net tons).....					226,626	148,697	397,082	
To South America (net tons).....					2	2	2	
To Europe (net tons).....					157,519	141,056	273,687	
To Asia (net tons).....					10,897	10,897	2	
To Liberia (net tons).....					2	2	2	
EDISON ELECTRIC INSTITUTE:								
Kilowatt-hour sales to ultimate consumers—month of April (000's omitted).....					20,419,691	20,881,657	19,400,000	
Revenue from ultimate customers—month of April.....					\$374,712,800	\$382,149,900	\$346,888,800	
Number of ultimate customers at Apr. 30.....					41,355,266	41,174,157	39,094,462	
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—Month of April:								
All manufacturing.....					12,131,000	*12,404,000	12,791,000	
Durable goods.....					6,189,000	*6,325,000	6,683,000	
Nondurable goods.....					5,942,000	*6,079,000	6,103,000	
Employment indexes—								
All manufacturing.....					148.1	*151.4	156.1	
Durable goods.....					171.4	*175.2	185.1	
Nondurable goods.....					129.7	*132.7	133.3	
Payroll indexes—								

## News About Banks and Bankers

(Continued from page 16)

ital was raised from \$100,000 to \$250,000, while the further increase to \$350,000 was brought about by the sale of \$100,000 of new stock, according to a recent bulletin from the office of the Comptroller of the Currency.

John A. Gaffney, an organizer, and President of the **Mid-City Trust Company of Plainfield, N. J.**, died of a heart attack at the bank on June 27. He was 75 years of age. Prior to engaging in the banking business he had been a reporter on and subsequently City Editor of the Plainfield "Courier-News" until 1925, when, said advices from Plainfield by a staff correspondent of the Newark "News" of June 28, he and a group of local businessmen organized the Mid-City Trust Co. He was elected a director and also served as Vice-President until 1943 when he became President. It is also stated that in addition to other interests he was a founder and Vice-President of the Building & Loan League of the Plainfields, Vice-President of the Union Building & Loan Association, etc.

An increase of \$75,000 in the common capital stock of the **Union Center National Bank of Union, N. J.** is reported by the Comptroller of the Currency, the addition serving to raise the capital from \$250,000 to \$325,000.

### CORN EXCHANGE NATIONAL BANK AND TRUST COMPANY, PHILADELPHIA, PA.

	June 30, '49	Mar. 31, '49
Total resources	\$271,654,827	\$275,625,512
Deposits	247,923,053	252,024,444
Cash and due from banks	67,652,716	72,953,607
U. S. Govt. security holdings	111,935,722	105,846,695
Loans and bills discounted	67,197,690	72,349,961
Undivided profits	2,712,490	2,624,324

### THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	June 30, 1949	Mar. 31, '49
Total reserves	\$709,317,124	\$701,174,904
Deposits	643,380,386	634,516,449
Cash and due from banks	219,170,792	235,293,239
U. S. Govt. security holdings	286,439,928	242,406,095
Loans and bills discounted	132,734,797	163,355,817
Undivided profits	10,322,310	10,062,583

The directors of the **Baltimore National Bank of Baltimore, Md.** on June 24 elected to its board to fill a vacancy, Thomas S. Nichols, President of the Mathieson Chemical Corporation. The Baltimore "Sun" of June 25 states that the corporation and the bank recently formed the Mathieson Building Corporation which acquired title on June 1 to the O'Sullivan Building, now known as the Mathieson Building. The chemical company is in process of transferring its headquarters from New York to Baltimore and will have its executive offices in the Mathieson Building.

Norman B. Boyle was elected President of the **Maryland Safe Deposit Association** at the annual dinner meeting in Baltimore. Mr. Boyle, former President of the Maryland Bankers Association, is President of the **Carroll County National Bank, Westminster, Md.** Reporting further on the elections at the meeting of the Maryland Safe Deposit Association, the Baltimore "Sun" of June 17 said in part:

"Thomas E. McConnell, Vice-President, Maryland Trust Company, was named First Vice-President of the Association, and Paul P. Price Assistant Treasurer, Mercantile Trust Company, Baltimore, was made Second Vice-President. William V. O'Brien, Assistant Vice-President, Fidelity Trust Company, was elected Secretary of the Association, and Edward H. Appleby, Assistant Cashier, Baltimore National Bank, was named Treasurer."

Appointment of George C. Foedisch, Jr., and Nathan P. Stauffer as Assistant Managers in Pittsburgh and Philadelphia, respectively, has been announced by the **Fidelity and Deposit Company of Maryland** and its affiliate, the American Bonding Company of Baltimore. Both men started their F&D careers as special agents in Philadelphia. Mr. Foedisch in 1941 and Mr. Stauffer in 1940. Both also served with the Armed Forces during World War II.

The directors of the **Maryland Trust Company of Baltimore** on June 29 elected Stanley B. Trott as President, succeeding Heyward E. Boyce, who remains as Chairman of the board and active head of the bank, advices in the Baltimore "Sun," June 30, by J. S. Armstrong, Financial Editor, states. In part, these advices also said:

"William J. Casey, Senior Vice-President, was elected to the new post of Vice-Chairman of the board. A Vice-President of the trust company since 1942, Mr. Trott started his banking career with the Drovers and Mechanics National Bank which was merged with Maryland Trust in 1930.

The **First National Bank of Belleville, Ill.**, which is now in its 75th year, reported on June 15 total resources of \$19,134,712. The bank has a capital (common) of \$300,000, surplus of \$300,000 and undivided profits of \$383,409. Its deposits total \$17,961,651. C. A. Heiligenstein is President.

William A. Kummrow, Cashier of the **Waukesha National Bank of Waukesha, Wis.**, was elected President of the **Milwaukee Conference of Bank Auditors and Controllers** at a meeting on June 15. He succeeds Walter J. Keller, Assistant Cashier of the Marine National Exchange Bank of Milwaukee, it was stated in the Milwaukee "Journal," which adds that Elmer P. Hartmann of the Northern Bank was named Vice-President, and John C. De Master, Bank of Sheboygan, Secretary-Treasurer.

Incident to the action taken in April by the **Tootle-Lacy National Bank of St. Joseph, Mo.**, toward increasing its capital from \$200,000 to \$350,000, we learn from the bank that this increase was effected in the following manner:

By a stock dividend of 62½% paid April 19, 1949, consisting of 1,250 shares of capital stock at \$100 a share, on which date the sum of \$125,000 was transferred from the surplus account to the capital stock account. By the sale of 250 shares of \$100 capital stock sold at \$200 per share, and from the sale of this stock \$100 from each share was allocated to the capital account and \$100 to the surplus account.

The bank adds: "Rights to purchase new stock offered were issued to stockholders of record March 18, 1949, on a basis of ½ share of new stock for each share of old stock held. These rights expired April 18, 1949 at noon. No stock was offered to the public."

Reference to the increase in the bank's capital was made in our May 5 issue, page 1950. The bank on April 11 had deposits of \$19,243,862 and total assets of \$20,132,554.

The promotion of three of the staff of the **First National Bank of Dallas, Texas**, was announced on June 14 by President E. L. Flippen. They are, says the Dallas "Times Herald": Jack C. Burleson, C. F. Grice and J. C. Spalding who were made Assistant Vice-Presidents. Mr. Grice has been

with the bank since 1916, and Mr. Burleson since 1925. Mr. Spalding joined the First National in 1915.

Burl J. Morse, who has been Assistant Vice-President of the **Commerce Trust Company of Kansas City, Mo.**, has been elected Assistant Vice-President of the **Republic National Bank of Dallas, Texas**, an announcement on June 19 by Fred F. Florence, President of the latter, stated. Mr. Morse, says the Dallas "Times Herald," has been identified with banking for 29 years.

The purchase of the controlling interest in the **First National Bank of Sanger, Texas**, by Gilbar C. Hedrick and associates of Dallas was announced on June 18, it is learned from the Dallas "Times Herald," which reports that the new management assumed charge of the bank's operations, June 14, with Mr. Hedrick as President and Norval A. Dickey of Dallas Active Vice-President. The paper quoted also said in part:

"Mr. Hedrick succeeds George O. Hughes, from whom control of the bank was purchased and who retired recently because of ill health, temporarily delegating Presidency of the institution to W. J. Evans, who has resigned to assume an executive connection with another bank. Mr. Hedrick is also President of the **Lewisville State Bank at Lewisville, Denton County**, which he has headed for three years. Mr. Dickey was associated with the **First National Bank in Dallas** for 12 years, was an Assistant National Bank Examiner for four, and with the **Hutchins-Sealy National Bank of Galveston** for two years. Comer S. Bishop, a new Director of the bank, is Vice-President of the **Texas Bank & Trust Co. of Dallas**. John H. Hughes, Cashier of the **Sanger Bank**, will continue in this capacity."

E. L. Bridges, Auditor of the **Citizens National Trust and Savings Bank of Riverside, Calif.**, was elected President of the **Southern California Conference of the National Association of Bank Auditors and Comptrollers** at the annual meeting of the Conference on June 16. The outgoing President, Theodore H. Ballmer, Assistant Auditor, Security-First National Bank of Los Angeles, presided at the meeting. Other officers elected were: Vice-President, B. R. Fox, Assistant Auditor, California Bank; Secretary-Treasurer, J. J. Svoboda, Assistant Auditor, Citizens National Trust and Savings Bank of Los Angeles. Thirty-one banks comprise the membership of the Southern California Conference.

The election of Lauder W. Hodges as Cashier of the **Citizens National Trust & Savings Bank of Los Angeles, Cal.**, is announced by H. D. Ivey, President, who according to the Los Angeles "Times" of June 22, stated that F. R. Alvord, Vice-President and Cashier, had relinquished the title of Cashier. Charles Erling, Assistant Cashier and Assistant Secretary of the bank, has been elected a Junior Vice-President. Mr. Hodges, for more than 10 years, 1936-1946, was Executive Manager of the California Bankers' Association, says the Los Angeles "Times" from which it is also learned that he established his own law firm in 1946, and has acted as counsel to a Committee of the California Bankers Association engaged in revision of the California Bank Act.

Frank F. Hanington, Vice-President, and Frank W. Ross, Assistant Vice-President, of the **Crocker First National Bank of San Francisco**, retired from the bank effective July 1, having reached the retirement age. Mr. Hanington had been associated with the bank

for 28 years. Mr. Ross joined the bank on July 1, 1910, and is retiring 39 years later.

C. F. Schwan, Assistant Cashier of the **California Bank of Los Angeles** was elected President of the Los Angeles City and County School Savings Association at the group's annual meeting June 15. Other officers elected were: Vice-President, Walter J. Richards, Junior Vice-President of the Citizens National Trust and Savings Bank of Los Angeles; Secretary-Treasurer, H. A. Holtzman, Union Bank and Trust Company of Los Angeles. Lawrence D. Pritchard, Assistant Vice-President of the Bank of America, is the retiring President of the Association.

Sam H. Husbands was named President of **Transamerica Corp. of San Francisco** on June 23 and James F. Cavnagaro was made Chairman of the Board, the latter succeeding the late A. P. Giannini who died on June 3. Mr. Husbands, Executive Vice-President since 1946, fills a vacancy says the Los Angeles "Times," created by the death of John M. Grant in 1941. Mr. Husbands came to Transamerica in 1946 from the Reconstruction Finance Corp. which he joined in 1932 after 20 years banking experience, according to the "Times," which says that Mr. Cavnagaro had retired last Dec. 31 as Senior Vice-President. W. L. Andrews will continue as Vice-President and Treasurer and also was made a Director.

Delbert H. Pilliard has been appointed Assistant Vice-President and Manager of the Red Bluff office of the **Anglo California National Bank of San Francisco, Cal.**, as successor to the late Z. P. Dyer, it was announced on June 9 by Allard A. Calkins, President. Mr. Pilliard has been connected in executive capacities with production credit associations in Sacramento, Bakersfield and Chico, and is familiar with agricultural and livestock conditions in Tehama County. He is Past President of the Kiwanis Club of Chico and a divisional Lieutenant Governor of the California-Nevada district of Kiwanis International. Since the war he has been a member of the U. S. Department of Agriculture Council in Butte County.

R. A. Foote became President of the **Nevada Bankers' Association** at the recent annual meeting held in Reno. Mr. Foote is Manager of the Battle Mountain, (Nev.) branch of the **Nevada Bank of Commerce of Elko, Nev.** Other officers of the Association named at the convention, the San Francisco "Chronicle" indicates, included W. W. Hopper, Vice-President; J. E. Beaupre of Reno, Secretary, and Lloyd Clark of Reno, Treasurer.

The transfer of \$2,000,000 from undivided profits to the surplus account of the **First National Bank of Portland, Ore.**, was authorized on June 22, the Portland "Oregonian" reports. The action strengthens the fixed capital funds of the bank, but does not otherwise alter the capital structure. F. N. Belgrano, Jr., President, is reported as saying. Capital funds totals as of May 31, it is noted adjusted to reflect the transfer, include: Capital \$4,500,000; surplus, \$12,500,000; undivided profits, \$10,751,248.96, and contingent reserves, \$3,500,000. Total capital funds amount to \$31,251,248.96.

A resolution expressing regret at the death of A. P. Giannini was adopted by the Directors. Mr. Giannini, a Director of the First National Bank in addition to being Chairman of the Bank of America, died June 3.

The election of Frank E. Holman as a Director of The Pacific

**National Bank of Seattle, Wash.**, was announced by Casper W. Clarke, Chairman, and Charles P. Frankland, President of the bank, after a special meeting of the board on June 7. The Seattle "Times" points out that Mr. Holman is President of the American Bar Association, and Past President of the Seattle and Washington State Bar Association. The same paper notes that he is a member and Vice-President of the Board of National Directors of Rhodes Scholars, a life member of the Oxford Union, a trustee of the School of Public Law (Washington, D. C.); honorary member of the Order of Coif and of the Phi Delta Phi, national legal fraternity, and is a former member of the National Panel of Alien Enemy Examiners.

We are advised that a branch of the **National Bank of India Ltd. of London** was opened at No. 31 Chowringhee Road, Calcutta, on June 1.

**With D. D. Schroeder Co.** (Special to THE FINANCIAL CHRONICLE) MINNEAPOLIS, MINN.—Mary F. Wenner has joined the staff of D. D. Schroeder & Co., Northwestern Bank Building.

**With State Bond & Mtge.** (Special to THE FINANCIAL CHRONICLE) NEW ULM, MINN.—Robert A. Nelson has become affiliated with State Bond & Mortgage Co., 26½ North Minnesota Street.

**With Waddell & Reed** (Special to THE FINANCIAL CHRONICLE) WYMORE, NEB.—William L. Jones is connected with Waddell & Reed, Inc., 1012 Baltimore Avenue, Kansas City, Mo.

**Joins First Securities** (Special to THE FINANCIAL CHRONICLE) DURHAM, N. C.—E. David Dodd, Jr., is now associated with First Securities Corporation 111 Corcoran Street.

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Your  
**RED CROSS**  
must carry on!

# The Iron Curtain of Money

(Continued from first page)

belonged to the few strong beliefs in which my own generation of European economists has been brought up: i.e. that exchange control is no serious possibility in a civilized country. By no stretch of the imagination could we visualize a government brutal enough and a population docile enough to make exchange control efficient in peacetime.

I still remember my own experience as member of a Committee which, in 1931, had been set up by the Brüning Government in Germany to find a way out of the Great Depression. When we finally proposed a program of deliberate credit expansion (or "reflation" as it was called then) it simply did not occur to us to suggest exchange control as a means to protect the national balance of payments against the disequilibrium to be expected from a policy of reflation. Strange as it may seem today, we believed that as any fool can govern with martial law so he could with exchange control, and our opinion was that such a man would not only be a fool but also a ruffian who does not know what a civilized society is. We left that to communists, national-socialists and cranky advocates of economic futurism.

## The Newness of Exchange Control

It is important to remember that, in order to realize how alarmingly strange the present world fashion of exchange control is and how little it accords with the natural order of things. It is a break with what, until 10 or 15 years ago, has been a matter of course for centuries, but within this amazingly short period there has grown up, in the largest part of the entire world, a new generation which has become more or less accustomed to this startling novelty and whose economic thinking has been so moulded that to conceive freedom of exchange markets seems almost a strange aberration of the mind or, at any rate, something quite utopian. To this new generation which forgot what is normal and natural we should tell several truths:

(1) Exchange control as a comprehensive system of monetary regimentation working in time of peace is, outside of Soviet Russia, less than 20 years old whereas the preceding centuries prove that it is not only feasible but also preferable to get along without it.

(2) As such a fairly efficient peacetime system exchange control is coeval with the modern police state whose power, all-embracing bureaucracy and contempt of elementary liberties would, outside of Russia, have been unthinkable until quite recently and which, in the last resort, are certainly incompatible with the principles of democracy. Exchange control is nothing else but the keystone of the modern collectivist state which cannot exist except in extreme national isolation.

(3) Exchange control is a device which is based on unsound economic thinking, with consequences which few have foreseen. In the end, these consequences defeat its very purpose, and it has become evident that exchange control is incompatible with an orderly economic life, nationally and internationally.

(4) The possible disadvantages of abolishing exchange control are so much exaggerated that they should not be used as a pretext for going on with it.

Let us look more closely at these points.

## The Road to Exchange Control

The reasons for introducing exchange control are various. Let

us take the example of Germany which has the doubtful honor of having shown the way for the rest of the world and whose economists are today the first to warn against this course. In 1931, the Brüning Government took the first steps in order to stop the withdrawal of foreign capital, but already a few months later exchange control served to cushion the effects of the devaluation of the pound and to make a parallel devaluation of the mark unnecessary while, at the same time, exchange control was made a new and powerful instrument of protectionism. Very soon, moreover, it became obvious that exchange control not only involved collectivist control of foreign trade but also increasing regimentation of the whole internal economy until it became the real hub of the fully developed system of national collectivism in the Third Reich. In the latter role, it was the most indispensable piece of the machinery of repressed inflation where it served the function to prevent the internal inflationary pressure caused by reckless credit expansion and so-called "full employment" from being balanced externally by a higher equilibrium rate of exchanges. This role of exchange control has now become the dominant one in the world.

## Its Economic Meaning

What is the economic meaning of exchange control, whatever its origin and main function?

In order to see this clearly we must remember that exchange control presents a case of what the Germans well call *Zwangswirtschaft* (coercive economy) meaning any system of physical control which, by forbidding free prices and by enforcing a price lower than the equilibrium price, destroys the automatic equalization by the price mechanism which now the government is compelled to replace by a coercive equalization of supply and demand (requisition of supply and rationing). Exchange control is *Zwangswirtschaft* on a particular market, i.e. the exchange market, and it is the enforcement of a particular price, i.e. the rate of exchange. All this means that exchange control amounts to a policy to defend by force a wrong rate of exchange. So what is important is not only the fact that now there is force but also the other fact that this force is being used to maintain a rate of exchange which, if it were "right," i.e., the rate corresponding to the external equilibrium of the national economy, would need no police protection.

Can this regimentation of the exchange market really replace the free mechanism of equalization? To guess the right answer we only have to remember the experiences which have been made with such controls on other markets. Everywhere we see that the disequilibrium corresponding to the "wrong" price—the "scarcity" which then so many mistake for a God-ordained calamity—is, by the repercussions on supply and demand, made permanent or even increasingly worse. When the advocates of exchange control defend it on the ground that we cannot abolish rationing of a commodity as long as it is in "short supply" our answer must be: exchange control and "scarcity" of exchanges are only two aspects of the same thing. If the idea is to maintain exchange control as long as there is a "scarcity"—especially of the famous "hard currencies"—then all care has been taken that at least this pretext will never be in short supply. Or to put it otherwise: Like on any other market, there must on the exchange market always be some price (rate of exchange) which equal-

izes supply and demand. That is to say that, at this rate, the balance of payments of a country will be automatically in equilibrium. Now exchange control forbids this equilibrium rate, which means that it forbids the external equilibrium of the economy of a country.

## Freedom and Stability of Exchanges

It is true, however, that the exchange rate is a quite special price. It is the price of a currency in terms of another currency. One of the consequences of this fact is that, whenever the external equilibrium of a national economy has been disturbed, it can be restored not only by a change of the exchange rates but also indirectly by a change of the internal level of relevant prices and cost elements. The equilibrating mechanism of foreign trade, therefore, can be set in motion in two ways, either by a change of exchange rates or by one of the internal prices. As a matter of fact, both sorts of mechanisms have been cooperating in the past, and the result was that, up to 1914 and then in the '20s, "scarcity" of exchanges was an unknown malady. It has made its appearance only after the equilibrating mechanism has been ruined by exchange control. Its brutal purpose is to call in the police in order to avoid both an adjustment via exchange rates (devaluation) and an adjustment via the internal price level (deflation). But it is quite an illusion to believe that this is all there is to it and that we can live all happily thereafter.

It has been an outstanding feature of the gold standard that, beyond the small oscillations between the gold points, it preferred internal price and cost adjustments to adjustments by changed exchange rates. In this way, the gold standard had been so far the only currency system able to combine freedom (convertibility) with the stability of exchanges. Now even those who think this combination to be ideal (the present writer admits to belong to this group) cannot deny that there might be a situation where you cannot have both freedom and stability of exchanges because such a happy combination might imply an internal price deflation which is beyond the range of practical possibilities. There are cases where the attempt to make a "wrong" exchange rate "right" by internal price adjustments resembles the effort of the famous clown Grock to shove the grand piano to the stool standing too far away. Common sense demands the opposite: to adjust the stool to the piano and the exchange rates to the national price levels. That is at least the situation as it exists today in most European and some non-European countries where the prime need of the hour is to get rid of the anarchy of international value relations which has been the result of ten fatal years and to reestablish a new and natural equilibrium of balances of payments. But that is hardly feasible unless the "wrong" exchanges are corrected directly (and not indirectly via the internal price level). Only by the exceptional sacrifice of exchange stability is it possible to recover exchange liberty by dismantling exchange control.

It is unfortunate, however, that, in the course of the last ten years, the ideal of exchange stability at any cost has dimmed the realistic sense of many responsible people. By the Bretton Woods agreement the whole weight of the International Monetary Fund has been thrown into the balance for a policy of keeping wrong exchange rates stable by the foul method of exchange control. This policy

has been running counter evermore to the present-day reality and to what it demands. Stable exchange rates, so much is obvious today, have been defended with a stubbornness which has done more bad than good because, in most countries of today, this stability amounts to using police force in order to pin down a "wrong" rate.

When the International Monetary Fund was created during the war the guiding idea was that the gravest threat to orderly international economic relations after the war, as far as money was concerned, might be a wave of competitive devaluations. It was overlooked that, in the meantime, exchange control had become a much more serious danger compared with devaluation as instruments to take care of disturbed balances of payments. So if the International Monetary Fund were insisting primarily on stable exchange rates this simply meant that, by fighting against a threat which had become much less real than before the war, it increased immensely the other one which now really was the more alarming.

There is, of course, much excuse for the slowness with which the memory of the recent past was fading when, measured by the old standards of liberty and stability of exchanges combined, devaluations invited justified criticism. People went on saying "stable exchanges," but what they meant was also "convertible" exchange rates. The prevailing impression was that the alternative now as ever were between "free and stable" and "free and unstable" exchanges, perhaps with the mental reservation that a little exchange control here and there really did not matter. Now, however, it has become more obvious every day that this whole concept is an anachronism which only serves to perpetuate exchange controls when, at the same time its absurdities also have become more and more apparent. Nobody wants to be unjust towards the International Monetary Fund and to belittle its possible merits, but we can no longer deny the possibility that, in the end, it may have achieved exactly the opposite of what most of its sponsors had had in mind. This paradox, however, has become so obvious today that it does not appear unreasonable to expect an imminent change of policy. While we hope for this change we equally must hope that there will be no new confusion about the desirable aim; today the international aim cannot be primarily devaluation but scrapping of exchange controls. Devaluation is only an indispensable means to this end because we cannot get rid of exchange control without reestablishing the external equilibrium of the different countries and because this is not possible without devaluation.

## Three Combinations

Three sorts of combinations are possible with regard to exchange policy: first, "Liberty plus Stability," secondly, "Liberty plus Unstability," thirdly, "Stability plus Lack of Liberty." We should stick to the opinion that the first of these combinations is the best because, in the long run, it will be alone suitable for modern world economy. If we find, however, that, under the present exceptional circumstances, it is in many countries out of reach at least for the moment, then it would be unwise to allow the worst combination ("Stability plus Lack of Liberty") to become dominant because untimely yearning for the best combination ("Stability plus Liberty") confuses us. What really matters now is not "stability" as such. What matters is to create conditions without which no genuine and lasting stability is possible. Besides sound fiscal and credit policies the most

essential of these conditions is the restoration of external economic equilibrium by making the exchange rates "true" again. That means that, for once, we must be prepared to sacrifice the stability of exchange rates to their liberty and to their "truth." Let us not forget that, in fact, it is the sacrifice of a stability which has the capital fault not to be stable. The world has sold liberty and "truth" of exchanges to a spurious stability which, because it is spurious, has led international trade into an impasse. Let us consider this more closely.

## The Price of Stable Exchange Rates Which Are Neither Free Nor True

The first thing we must realize is the fact that exchange control is of strategic importance for the whole economic system. It is collectivism at one of the most neuragic points of the economy. At other points less essential for the whole functioning of the economic process we can have collectivism for quite a long while, certainly often with disastrous consequences but without engulfing the whole national economy. An example for this is rent control. But a country cannot preserve a market economy (free economy regulated by prices instead of governmental offices) if there is collectivist control at the door to the outside world. That is what exchange control means. Collectivism here involves collectivism everywhere sooner or later, and, inversely, collectivism inside a country is impossible without collectivism on the exchange markets. If you want exchange control you must be prepared to accept the development towards generalized collectivism. If you are tired of the latter you must be prepared to accept the abolition of exchange control. On the other hand, however, if you believe in general collectivism you must stick to exchange control, whether you like it or not. If you want to "control" the economic process (to use the euphemism mercifully hiding the repulsive reality of force, bureaucracy and triplicates) you cannot leave foreign trade and its equilibrium to the working of supply and demand. You are condemned to fight for exchange control to the last breath, and Neptune will sooner part with his trident than a socialist minister with his exchange control office. Even to think of shutting it up must appear a crime like "imagining the king's death."

It must be very inconvenient, indeed, for the socialist to be under the absolute necessity of defending such an unglorious thing as exchange control—which Marx had not mentioned—as the real key position of socialism. It means after all to defend teeth and nails an institution which is the very negation of international cooperation and the acme of national isolation. Socialism means invariably National Socialism, and exchange control is its indispensable instrument.<sup>1</sup> It must be very awkward in theory to talk of international cooperation, international economic unions like the Benelux or a European Federation and in practice to be compelled to do the very opposite. But that is the self-chosen lot of the socialist.

Now this national-collectivist autarchy built up behind the wall of exchange control has revealed consequences which surely only a few can have foreseen. Exchange control destroys the mechanism which, by the double movements (of the exchange rates and/or the internal prices), balances the national with the international system of values. The external equilibrium of the national economy is upset, and now we have the

<sup>1</sup> The present author tried to make this clear in his previous article "Socialism in Europe Today," *The Commercial & Financial Chronicle*, April 14, 1949.

famous "dollar shortage" together with the "crisis of the balance of payments." What the price mechanism is no longer able to do, i.e. the equalization of the balance of payments, must now be "planned" by the government, but all its frantic efforts seem to be of no avail. It gets entangled in difficulties which nobody had anticipated, least of all the planners, and these difficulties seem to increase rather than to abate.

What is the final reason for all these troubles? Generally speaking, it is the fact that to impose fanciful exchange rates means to distort the whole economic process and to spread economic disorder everywhere. All transactions which determine supply and demand on the exchange markets will be seriously disturbed, and the ensuing repercussions tend to upset the plans of the government whenever it exults to be through with the ordeal. The structure of production, consumption, imports, exports—all these and many other relevant factors now are different than they would have been without exchange control and, particularly, than they should be for the benefit of external equilibrium. A socialist government which would be determined to go through with its policy in the teeth of these growing difficulties will be compelled to drive collectivism to its last totalitarian consequences unless the non-socialist sector of the world economy comes to its rescue. It is possible to say, therefore, that so far it has been one of the functions of the Marshall aid to make the ultimate consequences of exchange control less obvious than they otherwise would have been.

The example of Great Britain proves that the problem of the "unbalanced" balance of payments is particularly insoluble in the case of the so-called hard currencies, i.e. dollars and Swiss francs. But that too is the inevitable outcome of exchange control. "Soft currency" countries are those which practice exchange control while "hard currency" countries are those that have preserved the free convertibility of their currency which, therefore, are undervalued in terms of the enforced fancy rates of the soft-currency countries. Because they can be used everywhere and any time and because they are undervalued the demand for the hard currencies is particularly high while their supply is all the scantier. At the enforced rates it is easier and more profitable to export to the soft-currency countries while there is a corresponding stimulus to import from the hard-currency countries. At the same time, hard currencies will be preferred for the black market dealings because only here people will feel compensated for their risk in evading exchange control. Finally, it is easier for a socialist government to settle the balance of payments with a soft-currency country because controlling exchanges on both sides facilitates the bilateral canalizing of trade.

Let us watch now how the ball is rolling on: We saw that, after the destruction of the automatic balancing of the international accounts, the balance of payments must be made the object of governmental planning. We learned further that the main effort of the government will and must consist in trying to diminish and, if possible, to overcome the chronic shortage of "hard" currencies. This will result in two consequences. The first is that now instead of the consumers it will be the government which decides what "the country can afford" which means that the government will restrict imports according to a list of priorities forced on the consumers. There is hardly a need any more to expose the

fallacy and drabness of this policy of "Austerity."<sup>2</sup> The second consequence is that this neo-mercantilistic policy will make the hard-currency countries its principal victims. These countries have the merit to make the necessary efforts to preserve the free convertibility of their currency. But they are penalized by the socialist soft-currency countries by a policy which turns against them the very principle of free convertibility and multilateralism which the hard-currency countries defend, a merit for which they should expect just as many thanks as for their efforts to keep the soft-currency countries afloat by their loans and aids. It is the policy of selling to the hard-currency countries as much as possible and of buying from them as little as possible (even this little comprising as few "non-essentials" as possible). Finally, the hard-currency countries will be compelled to defend themselves by all possible means. Again we recognize that exchange control ends in an impasse because it is sapping the very foundations on which it rests.

#### No Order Without Multilateralism

In this connection, it is important to understand two things. The first is that there will be no world economic order without the restoration of genuine and free multilateralism. The second is that

<sup>2</sup> Here again the present writer may refer to a previous study published by the "Commercial & Financial Chronicle" ("Austerity," vol. 168, p. 497).

as long and as far as there is exchange control, there cannot be such a multilateralism. That is so because multilateralism is only another word for free convertibility and because free convertibility is precisely the opposite of exchange control.<sup>3</sup> Exchange control creates a currency which can no longer be used freely in international trade so that it is unable to serve as instruments of polygonal trade relations. Its inevitable consequence is bilateralism, i.e. the governmental canalizing of international trade, all attempts at extending this system to several countries notwithstanding. Consequently, the tragic disintegration of world economy by bilateralism cannot be overcome unless the reason of bilateralism, i.e. exchange control, has been removed. That is the reason why there is little to be expected from any of these elaborate systems of "multilateral" clearing or from some more or less cranky project of an international monetary union. As long as the real causes of the disturbances of the balances of payments remain (especially exchange control) its effects will remain also and upset all such beautiful projects. Once the causes have been removed we do not need such projects any more. They are either ineffective or unnecessary.

<sup>3</sup> Since the term "multilateralism" leads to so much confusion the present writer might for further explanations usefully refer to his book "International Economic Disintegration," London 1942, pp. 34-45.

## Observations

(Continued from page 5)

the results of operations, and had a stake, even though small, in the business, I believe they would have more interest.

Early in 1929 the bank increased its capital and "kindly" "let" the employees buy stock at \$100 per \$20 share. Against my better judgment, I was high-pressured into signing up for 10 shares. Fortunately, we did not need any money but just signed a note. About Oct. 10, 1929, I had the opportunity of borrowing briefly enough money to pay off my note and I immediately sold the stock at \$134 per share, thus deriving a profit of \$340 approximately. It may have been September, anyway it was about a week before the "big first break" in the market. Some of the employees are still paying off their commitments, I believe; at any rate they were not many years ago still paying. During the "bull" market of 1946 our stock got to somewhat above 55, and during the depression sold down as low as 14 or 15.

During the period 1928-1935 I worked in the banking department of the bank and can remember many hot arguments I had with the manager of the branch and the salesmen for our security department. At that time I was 20 years younger and had absolutely no experience; however, the arguments were about the value of a stock vs. the market price, my contention being that the market price did not represent the value and theirs being that "stocks are worth what you can sell them for." I believe my opinion has since been vindicated.

#### Secrecy Disturbing

One of the reasons I have not wanted stock in the bank where I work was that the management has always followed the policy of secrecy. Very likely it covers up a lot of sins and errors on the part of the management. I have worked here 20 years and due to this policy and other things I have no attachment to the place. I did have the first seven or eight years, in my ignorance and enthusiasm, but it wore off. It is a good place to work in many respects and the many good points have outweighed the bad, which is the reason I am still here. However, I have no interest in the business, which is sad. I am always interested in my particular job, as that is my nature, but the business as a whole is a stranger to me.

All corporations hold annual stockholders' meetings. They should also hold annual employees' meetings and treat the employees the same as stockholders. In fact, after a person spends a number of years with an organization, especially if it is his intention to spend additional years of his life with them, he is a shareholder even though he does not own stock.

At heart, theoretically, I am a socialist. However, because of the frailty of human nature, I do not believe it will ever work. Therefore, I would like to see a good substitute provided which will work. This may be it.

Forgive the length of this letter and the lack of editing, but I must get to work.

To sum it in brief:

(1) I am a fan of yours.

(2) I approve of the "value" approach.

(3) A suggestion that you endeavor to promote the ownership of stocks by workers. Conversely, to discourage stock speculation.

(4) Continue your work on management, to the end that they honestly regard their employees and stockholders as friends and partners rather than as "on the other side of the fence," and to share information concerning the business with them.

(Mrs.) D. H.

Los Angeles, Calif.,  
June 21, 1949.

## Current Textile Situation

(Continued from page 8)

chances of any prolonged shortages of supply are not very great.

Many of our clients are already asking us whether the recent curtailment of production in cottons and rayons is likely to lead to even a temporary renewal of delivery tightness at the peak of the pre-Fall seasonal movement. Here and there some temporary delivery lags are not at all improbable. The extent to which buyers suffer inconveniences or even price disadvantages as a result of such an eventuality will, we think, depend upon whether or not their current operating programs are sufficiently well informed.

It always pays the buyer and the seller to be able to gauge the supply-demand position of the many different items that constitute a market. Anticipating an urgent need for selectivity, we of the Bureau began almost three years ago to reorganize our market research to satisfy our clients' need for the utmost refinement of operating advice. Even when a general market trend is in one direction, there will always be individual item exceptions. Such differences may often be obscure unless you have had reason to search them out or have had some one performing the service of pointing them out. During the past sixty days, for example, we have had occasion to advise liberalization of purchases for a certain few items while in no basic way departing from our prevailing over-all policy.

#### Woolen and Worsted Industry

The woolen and worsted industry in this country has had to concern itself not only with the American economy and its own internal domestic position, but also with worldwide inflation in raw wool prices. Foreign wool markets reached exceedingly high levels with quotations abroad several hundred percent above pre-war. Foreign wool prices at the present time in this country are about double those of 1939, and domestic wool prices are close to double those of 1939. There has been a sharp decline abroad since the year's high, but prices still continue about equal to the levels of a year ago. The decline from the high has averaged from about 15% to 20%. Fine wool, which is an important factor in our apparel industry, has shown the greater gain.

Production of woolsens and worsteds in this country has shown substantial declines from the postwar high. The decline in wool consumption between the end of 1946 and the first quarter of 1949 was one of the greatest in history. Fabric production for the first quarter was sharply below a year ago. However, it still continues considerably above pre-war. The decline in worsted fabric production is greater than woolsens in view of the less favorable men's wear demand. Women's wear demand has been comparatively more favorable. The liquidation in woolen fabrics for women's wear preceded that of worsteds. The high probably was reached in 1946.

Despite the sharp curtailment in the woolen and worsted industry, there are no indications of shortages. However, most of the accumulations resulting from the record production have been used up. Replacement demand, therefore, will play a more important part in the current rate of output. Here again the position of no two fabrics is alike. The position of woolsens is different from that of worsteds, and the position of fine wools is different from that of medium wools.

High raw wool prices, as I have already indicated, have given fresh encouragement to the competitive development of substi-

tute materials. Nowhere is this more evident than in the progress being made by all-rayon and blended suitings. Today the fabrication of the 100% rayon suitings is a major business.

During the first few years after V-J Day the fastest and most dramatic development was in the men's Summer suit and slack market, where the rayons now account for a substantial percentage of total fiber consumption by the field. Partly as a logical greater outgrowth of men's wear acceptance and partly as a result of pressure from hungry looms, the rayon suitings have more recently invaded the women's wear field with new qualities and styles. Very important yardages of such materials will go into the popular- and lower-priced women's suits during the next several months.

#### Advance in Nylon Production

Combinations of rayon and wool are also making more rapid headway in the major outerwear markets. Hundreds of looms that never before made such materials have been turned over to them in recent weeks and months. Many of the prices are startlingly competitive.

There is one very significant economic lesson behind the persistent invasion of natural fiber markets by synthetics. Once a market is lost by cotton or wool, it is not easily regained. This is a new-day economic truism requiring sober consideration by all influential supporters of a rigid form of farm price support.

Nylon's rapid growth in the past 12 months, incidentally, is a new threat to the natural fibers. Nylon is a more serious threat than rayon in one respect, for this synthetic is making inroads upon rayon itself and will thus in due time intensify rayon's search for markets in the cotton-wool domain.

No industry is greater than the collective strength or weakness of all its managements. Management in every branch of the textile industries will be called upon in the months ahead to make individual policy decisions which can profoundly affect the health of the entire economy. Many of these decisions must of necessity have to do with questions of reducing costs of production and merchandising. While the industry has gone far to deflate its price-profit ratios, it has only begun to readjust operating expenses.

I think the great majority of us know by now that we can move too far in the direction of economizing just as we moved too far in the other direction during the late inflation. Let's complete the job of putting our house in order! But let's not weaken its foundation in the process! A very wise and farsighted friend of ours in the cotton textile industry has recently been conducting something of a one-man campaign urging his competitors not to repeat the fallacies of the 1930s, when in a similar outburst of so-called economy we helped to water-down the country's purchasing power.

All of you, no matter which branch of the industry you are identified, would be helping your country as well as yourself by heeding this cloth manufacturer's mature advice. He learned the lesson the hard way!

#### Wetzel With Hirsch Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Ralph L. Wetzel has become associated with Hirsch & Co., 135 South La Salle Street. Mr. Wetzel was formerly with Keillon, McCormick & Co. and Glore, Forgan & Co.

# Securities Now in Registration

## • INDICATES ADDITIONS SINCE PREVIOUS ISSUE

### Berry Motors, Inc., Corinth, Miss.

June 21 (letter of notification) about 4,300 shares (no par) common stock. To be sold for the benefit of R. Howard Webster, Montreal, Quebec, Canada at \$11 or \$12. Underwriter—Gordon Weeks & Co., Memphis, Tenn.

### Bradshaw Mining Co., Tonopah, Nev.

Oct. 8 (letter of notification) 1,500,000 shares (5c par) common stock. Price—20 cents per share. Underwriter—Batkin & Co., New York. To repair and renovate mine of company and to exercise option to purchase processing mill and move and erect such mill on the company's property and for working capital.

### Carnegie Mines Ltd., Montreal, Canada

April 27 filed 500,000 shares of common. Price—60 cents per share. Underwriters—Name by amendment. Proceeds—For working capital, exploration, development and other purposes.

### Cascade Iron Corp., Canton, Ohio

June 27 (letter of notification) 1,000 shares (no par) common stock and 400 6% capital notes of \$100 each. Price, to be sold at the rate of 2½ shares of common stock and a note for \$150. No underwriter. Proceeds to be used to complete construction of an electric furnace plant. Office, 315 First National Bank Bldg., Canton, O.

### Central Electric & Gas Co. (7/20)

June 29 filed 132,874 shares (\$3.50 par) common stock. Underwriters—Paine, Webber, Jackson & Curtis and Stone and Webster Securities Corp., New York. Price and underwriting terms by amendment. Proceeds—to finance an \$8,400,000 expansion program for two telephone subsidiaries.

### Central Fibre Products Co., Inc.

May 6 (letter of notification) 3,000 shares of non-voting common (\$5 par). Price, \$22 per share. Underwriter—Bosworth, Sullivan & Co., Denver, Colo. Proceeds to selling stockholders.

### Central Ohio Light & Power Co., Findlay, Ohio

June 17 filed 25,240 shares (\$10 par) common. Offering—To be offered to common stockholders of record July 1 at the rate of one-for-five. Rights expire July 20. Underwriter—The First Boston Corp., for unsubscribed shares. Proceeds—For construction.

### Chicago Pump Co.

June 20 (letter of notification) 29,000 shares of 70-cent cumulative preferred stock. Price—\$10 per share. Underwriter—Straus and Blosser, Chicago. To retire an interim loan of \$250,000. Office, 2336 Wolfram Street, Chicago.

### Citizens Credit Corp., Washington, D. C.

June 22 (letter of notification) 2,800 shares of Class A common stock (\$12.50 par) and 1,400 shares (25¢ par) Class B common stock. To be offered in units of two shares of Class A and one of Class B stock for \$29.75 per unit. Underwriter—Emory S. Warren & Co., Washington, D. C. Proceeds—General corporate purposes, including establishment of a small loan office in Mt. Rainier, Md.

### Clarostat Mfg. Co., Inc., Brooklyn, N. Y.

Aug. 26 (letter of notification) 37,400 shares of 50¢ cumulative convertible preferred stock. Underwriter—Cantor, Fitzgerald & Co., Inc., New York. Price—\$8 per share. Working capital, etc.

### Coast Counties Gas & Electric Co.

June 17 filed 75,000 shares (\$25 par) cumulative preferred stock, series B. Underwriter—Name by amendment (Dean Witter & Co.). Proceeds—To pay bank loans, if any, additions, improvements, etc.

### Columbia Gas System, Inc., New York (7/26)

June 29 filed \$13,000,000 debentures, due 1974. Underwriters—Names to be determined through competitive bidding. Probable bidders: Morgan, Stanley & Co.; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Goldman, Sachs & Co. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler. Proceeds—To finance construction program. Expected July 26.

### Consolidated Caribou Silver Mines, Inc.

March 30 filed 376,250 shares (no par) common stock. Price—\$2.50 per share. An additional 50,000 shares will be sold to the underwriter at \$1 per share for invest-

ment. Underwriter—William L. Burton & Co., New York. Proceeds—To develop mining properties. Temporarily postponed.

### Cooperative G. L. F. Holding Corp., Ithaca, N. Y.

June 29 filed 44,088 shares 4% cumulative preferred stock. Offering—To be offered at \$100 to farmer and non-farmer patrons of the G. L. F. Exchange and its affiliates. Underwriting—None. Proceeds—To replenish working capital.

### Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.

June 29 filed 1,200,000 shares (\$5 par) common stock. Offering—To be sold to members and farmer patrons. Underwriter—None. Proceeds—To be added to working capital and used for general corporate purposes, including payment of \$12,693,000 in loans to an affiliate, Cooperative G. L. F. Holding Corp.

### Dayton (Ohio) Power & Light Co.

June 17 filed 283,333 additional shares (\$1 par) common. Offering—To be offered at rate of one-for-six to common stockholders of record July 7. Rights expire July 26. Underwriters—Morgan Stanley & Co. and W. E. Hutton & Co. for unsubscribed shares. Proceeds—To repay the company's outstanding \$5,000,000 bank loans and to finance a portion of its construction program in the remainder of 1949.

### Delaware Power & Light Co. (7/8)

June 8 filed \$10,000,000 first mortgage and collateral trust bonds, due 1979, and 50,000 shares of preferred (\$100 par) cumulative stock. Underwriters—Awarded July 6 to Lehman Brothers, the bonds as 2½s at 101.8199 and the preferred at 100.7199 for a 4.28% dividend. Proceeds—For construction for company and its two subsidiaries. Offering—Bonds will be offered at 102.54 and interest and the preferred at \$102.375 per share and dividend.

### Economy Forms Corp., Des Moines, Iowa

June 27 (letter of notification) 7,500 shares of preferred stock, of which 6,000 shares will be publicly offered and 1,500 shares will be offered to officers and employees without underwriting. Price—\$25 per share. Underwriters—T. C. Henderson & Co. and Wheelock & Co., Des Moines, Iowa. To buy additional equipment, plant additions, etc.

### Emerson Radio & Phonograph Corp.

June 7 filed 235,000 shares of capital stock. Underwriter—F. Eberstadt & Co., Inc. The terms and price of the offering have not yet been determined, but the stock will not be sold below the market price on the New York Stock Exchange at the time of the offering. Proceeds—The shares to be sold are from holdings of Mrs. Benjamin Abrams, Mrs. Max Abrams and Mrs. Louis Abrams, wives of principal officers and directors of the company, and do not involve new financing by the company. Following sale of the shares, the Abrams family will own approximately 25% of the company's 800,000 shares of common stock.

### Florida Power & Light Co. (7/19)

May 20 filed \$10,000,000 first mortgage bonds, due June 1, 1979. Underwriters—Names to be determined through competitive bidding. Probable bidders: Harriman Ripley & Co.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Bros.; The First Boston Corp.; Carl M. Loeb; Rhoades & Co. and Bear, Stearns & Co. (jointly); Shields & Co. Proceeds—To pay off \$3,200,000 of short-term borrowings from Central Hanover Bank & Trust Co. and for construction and other corporate purposes. Bids—Bids for purchase of the bonds will be received up to noon (EDT) July 19 at 2 Rector Street, New York.

### Gas Industries Fund, Inc. (7/14)

June 22 filed 660,000 shares of common stock (par \$1). Underwriter—White, Weld & Co. Proceeds—Company will operate as a specialty fund investing in securities of companies identified with the gas industry.

### Gate City Steel Works, Inc., Omaha, Neb.

June 16 (letter of notification) 2,500 shares of 6% cumulative first preferred. Price—\$100 per share. Underwriter—The First Trust Co. of Lincoln, Neb. Proceeds—To pay off \$250,000 on a \$1,000,000 promissory note owed by corporation to its sole stockholder, Glenn E. Nielson of Cody, Wyo.

### Guardian Credit Corp., Hartford, Conn.

June 30 (letter of notification) 3,000 shares of 5% preferred stock (\$25 par) and 2,500 shares (no par) common stock. Offering—To be offered in units of 6 preferred and 5 common shares for \$200 per unit. No underwriter. For general operations.

### Gulf Atlantic Transportation Co., Jacksonville, Florida

May 31 filed 620,000 shares of class A participating (\$1 par) stock and 270,000 shares (25c par) common stock. Offering—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. Underwriters—Names by amendment, and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000

shares plus unsubscribed shares of the new common. Offering price of class A \$5. Proceeds—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

### Hagler Mortuary, Inc., Helena, Mont.

June 27 (letter of notification) 60,000 shares (\$1 par) common stock. Price, par. To buy and operate mortuary. No underwriter. Office, 650 N. Logan, Helena, Mont.

### Hawaiian Electric Co., Ltd., Honolulu

June 21 filed 150,000 shares of series E cumulative (\$20 par) preferred and 50,000 shares of (\$20 par) common. Offering—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. Underwriters—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. Proceeds—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction.

### Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.

June 25 filed 5,000 shares of class B common stock (par \$100). Price—\$100 per share. Underwriter—None. Proceeds—\$600,000 to be used for spectator grandstand and balance for related purposes.

### Hilltop Radio Corp., Washington, D. C.

June 24 (letter of notification) \$150,000 common stock and \$50,000 preferred stock. No underwriter. For working capital. Office, 1326 U St., N. W., Washington, D. C.

### Horwood Lake Gold Mines Corp.

Dec. 27 (letter of notification) 100,000 shares of capital stock. Price—\$1 per share. Underwriter—Charles W. Warshoff & Co., Newark, N. J. For development of mining properties.

### Idaho-Montana Pulp & Paper Co., Polson, Mont.

Nov. 23 (by amendment) 180,000 shares (\$10 par) common stock to be offered at \$10 per share and 20,020 shares to be issued in exchange for \$170,200 first mortgage bonds. Underwriter—Tom G. Taylor & Co., Missoula, Mont. Proceeds—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

### Illinois Power Co., Decatur, Ill. (7/26)

June 30 filed \$15,000,000 first mortgage bonds, due 1979. Underwriters—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Glore, Forgan & Co. (jointly); The First Boston Corp. Proceeds—To repay short-term bank loans made to finance construction.

### Inter County Telephone & Telegraph Co., Fort Myers, Fla.

June 27 (letter of notification) 4,500 shares (\$25 par) 5% cumulative preferred stock. Price, par. Proceeds—To improve the company's property. Underwriter—Florida Securities Co., St. Petersburg, Fla.

### Investors Mutual, Inc., Minneapolis, Minn.


June 29 filed 4,000,000 shares (\$1 par) capital stock. Proceeds—For investment.

### Kaman Aircraft Corp., Windsor, Locks, Conn.

May 23 filed 170,456 shares of class A non-voting common stock (10c per share non-cumulative dividend) and 11,362 shares of class B voting common stock. Price, \$5.50 per share. Underwriter—None. Purpose—To acquire machinery, tools and equipment; to buy land and buildings; to produce 30 helicopters and accessories; to complete engineering changes; to setup sales and service departments; and to train service personnel.

### Keller Motors Corp., Huntsville, Ala.

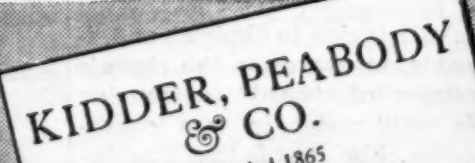
May 10 filed 5,000,000 shares (3¢ par) common. Underwriter—Greenfield, Lax & Co., Inc., New York. Price—\$1 per share. Proceeds—For plant facilities, equipment and working capital to manufacture a low-priced, medium-sized station wagon.



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## NEW ISSUE CALENDAR

July 7, 1949

Atlantic Coast Line RR. Equip. Trust Ctf.

July 8, 1949

Delaware Power &amp; Light Co. Bonds and Pref.

July 12, 1949

Akron Union Passenger Depot Co.  
Noon (EDT) Bonds

Chesapeake &amp; Ohio Ry. Equip. Trust Ctf.

July 13, 1949

New England Power Co. Bonds

Wabash Ry., noon (EDT) Equip. Trust Ctf.

July 14, 1949

Gas Industries Fund Inc. Common

Standard Oil Co. (N. J.) Debentures

July 19, 1949

Chicago Great Western Ry.  
Noon (CDT) Equip. Trust Ctf.

Florida Power &amp; Light Co. Bonds

St. Joseph Light &amp; Power Co. Bonds

July 20, 1949

Central Electric &amp; Gas Co. Common

Kansas City Southern Ry. Equip. Trust Ctf.

New Jersey Power &amp; Light Co. Bonds and Pref.

July 26, 1949

Columbia Gas System Inc. Debentures

Illinois Power Co. Bonds

## Knox (Earl E.) Co., Erie, Pa.

June 14 (letter of notification) \$150,000 first mortgage convertible sinking fund 6% bonds, due May 1, 1969. Underwriter—Reitzell, Read & Co., Inc., Erie, Pa. Price, par and interest. Retire \$55,396 first mortgage bonds, working capital.

## Lucky Stores, Inc., Oakland, Calif.

June 27 filed 400,000 shares (\$1.25 par) common stock. Underwriter—Names by amendment. Proceeds—Shares being offered on behalf of Blair Holdings Corp.

## Maumee Oil Corp., Toledo, Ohio

May 12 filed 8,000 shares (no par) common, of which only about 2,614 shares will be offered publicly at \$100 per share. No underwriter. For general working capital. SEC held hearing June 6 to determine whether a stop order should be issued suspending the effectiveness of the registration statement.

## Messenger Corp., Auburn, Ind.

May 25 (letter of notification) 6,000 shares of 6% cumulative convertible preferred (par \$25). Price, par. Convertible into common stock at \$10 per share. Underwriters—The First Trust Co. of Lincoln, Neb., and Crutenden & Co., Chicago.

## Mill-Tan Production Co., Inc., Fort Worth, Texas

June 24 (letter of notification) 25,000 shares (\$1 par) common stock. Price, par. For drilling oil wells, buying equipment, etc. No underwriter. Office, P. O. Box 265, Fort Worth, Tex.

## Mutual Telephone Co. (Hawaii)

June 7 filed 150,000 shares (\$10 par) convertible preferred stock, series B. Offering—To be offered initially to holders of the common stock, in the ratio of one preferred share for each five of common held. Underwriter—Kidder, Peabody & Co. Proceeds—Proceeds will be used for construction and expansion which in 1949 will involve expenditure of about \$4,340,500.

## New England Power Co., Boston (7/13)

June 3 filed \$5,000,000 of series C bonds due July 1, 1979. Underwriters—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; Otis & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Coffin & Burr; Carl M. Loeb, Rhoades & Co.; Merrill Lynch, Pierce, Fenner & Beane and Lee Higginson Corp. (jointly) and Harriman Ripley & Co. Company also plans to sell 160,000 shares of common (\$20 par) to its parent, New England Electric System, at \$25 per share. Proceeds—Proceeds of the bond and stock sale will be used to pay off \$5,324,700 of bank loans obtained for construction and to provide money for construction expenditures expected to be made. Bidding expected July 13.

## New Jersey Power &amp; Light Co. (7/20)

June 9 filed \$3,500,000 of first mortgage bonds, series due 1979, and 20,000 shares (\$100 par) cumulative preferred stock. Underwriters—To be determined through competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Otis & Co.;

Kidder Peabody & Co.; Salomon Bros. & Hutzler. For preferred: Kidder, Peabody & Co.; Smith, Barney & Co.; W. C. Langley & Co.; Lehman Brothers. Proceeds—Will be applied to the payment of the cost of, or in reimbursement of payments made for, construction of additions and betterments subsequent to April 30, 1949. Bids expected to be opened noon (EDT) July 20.

## New York &amp; Cuba Mail Steamship, New York

June 17 filed 190,125 shares of 5.6% cumulative preferred (\$25 par) stock, which Atlantic Gulf and West Indies Steamship Lines is offering in exchange for its own preferred (5% non-cumulative \$100 par) at the rate of one Atlantic share for three shares of Cuba Mail preferred plus \$25 in cash. No underwriting.

## Nielsen Television Corp., New York

Feb. 24 (letter of notification) 4,000 share of 6% cumulative non-convertible preferred stock (par \$25) and 10,000 shares of common stock (par 25c). Underwriter—Charles H. Drew & Co., New York. Offering—To be offered in units of one preferred share and 2½ common shares at \$25.625 per unit. Capital requirements. Present plans will be revised.

## Oil, Inc., Salt Lake City, Utah

May 19 (letter of notification) 172,690 common shares (par \$1). Price, par. Underwriter—Waldron & Co., San Francisco, Calif. To drill and equip five wells, working capital, etc.

## Pacific Gas &amp; Electric Co., San Francisco

June 22 filed 100,000 shares of Series A 5% redeemable first preferred stock (\$25 par). Price—\$25.75 a share. Underwriting—None. Proceeds—To be added to treasury funds. Offering—Stock is to be offered to employees.

## Palestine Cotton Mills, Ltd., Tel Aviv, Israel

June 29 filed 300,000 ordinary (common) shares, one (Israeli) pound par value. Underwriter—The First Guardian Securities Corp., New York. Price—\$5 each. Proceeds—To expand weaving facilities.

## Philadelphia Electric Co.

June 22 filed 972,624 additional shares (no par) common. Offering—To be offered initially to stockholders on a 1-for-10 basis held July 11. Rights expire about Aug. 11. Then unsubscribed shares would be available for subscription to regular full-time employees of the company and its subsidiaries—up to \$150 per person. Underwriters—Drexel & Co. and Morgan Stanley & Co. will purchase unsubscribed shares. Proceeds—For construction.

## Pioneer Enterprises, Inc., Bluefield, W. Va.

June 28 (letter of notification) 2,288 shares (\$100 par) capital stock, of which 1,173 shares are to be publicly offered at \$110 each. No underwriter. For working capital. Office, 316 Law & Commerce Bldg., Bluefield, W. Va.

## Power Petroleum Ltd., Toronto Canada

April 25 filed 1,150,000 shares (\$1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. Price—50 cents per share. Underwriters—P. G. Cranwell & Co., New York. Proceeds—For administrative expenses and drilling. Statement effective June 27.

## Redi-Serv, Inc., Los Angeles

June 28 (letter of notification) 1,500 shares of 5% cumulative preferred stock (\$100 par); 150,000 shares (\$1 par) Class A common stock and 150,000 shares (\$1 par) Class B common stock. Price—\$200 per unit of one preferred share and 100 shares of Class A common stock. All of the Class B common will be given to the promoter of the issue for his services. No underwriter. For organizational expenses, advertising and promoting the Redi-Serv Protected Portion machine. Office, 4622 Hollywood Blvd., Los Angeles, Calif.

## Renaissance Films Distribution, Inc., Montreal, Que.

Oct. 29 filed 40,000 shares (par \$25) 5% cumulative convertible class B preferred stock and 10,000 shares of C stock (no par). Underwriting—None. Offering—Class B preferred will be offered at \$25 per share with one share of class C given as a bonus with each 4 shares of class B purchased. Proceeds—To pay balance of current liabilities and working capital.

## St. Joseph (Mo.) Light &amp; Power Co. (7/19)

June 10 filed \$4,750,000 of first mortgage bonds, series due 1979. Underwriters—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Otis & Co.; Equitable Securities Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler; Carl M. Loeb, Rhoades & Co.; Union Securities Corp. Proceeds—For property additions. Expected about July 19.

## Southern Broadcasters, Inc., Richmond, Va.

June 23 (letter of notification) 2,950 shares of Class A common stock (par \$2) and 52,050 shares of Class B common stock (par \$2). Price (both issues)—\$2.67 a share. No underwriter. To complete building and equipping Station WRMV and for working capital. Office, 5 N. 2nd St., Richmond, Va.

## Spring Coulee Perpetual Royalty Trust, Alberta, Canada

June 30 filed 1,120 units of non-producing landowners royalty trust certificates, at \$247.50 a share. Underwriter—Thomas G. Wylie Co., New York City. Proceeds—For development purposes.

## Standard Oil Co. of New Jersey (7/14)

June 29 filed \$150,000,000 25-year 2¾% debentures, due 1974. Underwriter—Morgan Stanley & Co., New York. Proceeds—To replenish working capital, etc.

## Suburban Gas Service, Inc., Ontario, Calif.

March 31 (letter of notification) 4,000 shares (\$25 par) series B preferred and 20,000 shares (\$1 par) common—issuable upon conversion of preferred. Price—Preferred \$25 per share. Underwriters—Wagenseller & Durst, Inc., and Lester & Co. To buy Antelope Liquid Gas Co.

## Sudore Gold Mines Ltd., Toronto, Canada

June 7 filed 375,000 shares of common stock. Price—\$1 per share (U. S. funds). Underwriting—None. Proceeds—Funds will be applied to the purchase of equipment, road construction, exploration and development.

## Trenton Chemical Co., Detroit, Mich.

March 30 filed 131,841 shares 6% cumulative convertible class B preference (\$2 par). Underwriters—Straus & Blosser, Chicago; Carr & Co., Detroit, and Lester & Co., Los Angeles. Proceeds—To build chemical plant and to replace working capital used for capital additions.

## Mrs. Tucker's Foods, Inc., Sherman, Texas

Nov. 26 filed 200,000 shares of common stock (par \$2.50) of which 80,000 will be sold by the company and 120,000 shares by certain stockholders. Underwriter—Rauscher, Pierce & Co., Inc., Dallas, Texas. Proceeds—For general corporate purposes.

## Upper Peninsula Power Co.

Sept. 28 filed 200,000 shares of common stock (par \$9). Underwriters—Names to be determined through competitive bidding. Probable bidders include Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly). Proceeds—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively; Copper Range Co., 34,000 shares and several individual owners 11,200 shares.

## Western American Life Insurance Co., Reno

March 30 filed 12,500 shares (\$10 par) common stock. Price—\$40 each. Underwriter—To be named by amendment. Proceeds—To qualify the company to sell life insurance in any state.

## Western Oil Fields, Inc., Denver, Colo.

May 19 (letter of notification) 800,000 shares of common capital. Price, 25¢ per share. Underwriter—John G. Perry & Co., Denver, Colo. For working capital and drilling of wells.

## Wichman Philippine Mindanao Development Co., Cebu City, Philippine Islands

Jan. 9 filed 2,000,000 shares of voting capital stock, one centavo par value. Price—25 cents per share (U. S. currency). Underwriter—F. T. Andrews & Co. Proceeds—To provide funds for plant construction, diamond drilling, exploration and repayment of loans.

## Willcox &amp; Gibbs Sewing Machine Co., New York

June 6 (letter of notification) 6,000 shares of 5% cumulative convertible preferred stock, series B (par \$50). To be offered for subscription by common stockholders of record June 28 at \$50 per share in ratio of one preferred for each 25 common shares held. Rights expire 5 p.m. (EDT) July 15. Underwriting—None. Subscriptions payable to Central Hanover Bank & Trust Co., 70 Broadway, New York. To pay bank loans (\$250,000), working capital.

## Worcester (Mass.) County Electric Co.

June 10 filed \$5,500,000 of first mortgage bonds, series A, due July 1, 1979. Underwriters—Names to be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Otis & Co. Proceeds—To be applied to payment of bank borrowings (\$4,950,000) and for construction or to reimburse company for previous construction outlays.

## Prospective Offerings

## Akron Union Passenger Depot Co. (7/12)

Bids for the purchase of \$2,000,000 first mortgage bonds, series A, to be dated July 1, 1949 and due July 1, 1974, will be received by the company at Room 1304, 2 Wall Street, New York, up to noon (EDT) July 12. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Drexel & Co.; Otis & Co.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; W. C. Langley & Co.

## Arkansas Power &amp; Light Co.

June 29 reported company plans sale in September of \$8,700,000 bonds. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.

## Atlantic Coast Line RR. (7/7)

Company will receive bids July 7 for the sale of \$8,685,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly).

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**California Oregon Power Co.**

June 27 reported company may issue \$7,500,000 bonds for expansion purposes. Probable bidders: Shields & Co. and E. H. Rollins & Sons (jointly); Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. and The First Boston Corp. (jointly).

**California Oregon Power Co.**

Company has applied to the California P. U. Commission for exemption from competitive bidding on a proposed issue of 250,000 additional common shares. Proceeds from sale would be used to repay loans and for expansion. Probable underwriters: Blyth & Co., Inc. and The First Boston Corp.

**Chase Candy Co.**

June 28 company sold 200,000 shares of common stock to F. S. Yantis & Co., Inc., Chicago, at \$2.50 a share. Subject to market conditions, F. S. Yantis & Co., Inc., some time later this year will offer to other stockholders their pro rata share of the new issue at the cost price.

**Chesapeake & Ohio Ry. (7/12)**

Company will receive bids July 12 for the sale of \$3,990,000 equipment trust certificates, due in one to ten years, to finance a portion of the cost of equipment estimated at \$5,032,156. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly).

**Chicago Great Western Ry. (7/19)**

Company will receive bids up to noon (CDT) July 19 at its office, 309 West Jackson Boulevard, Chicago, for the sale of \$6,150,000 equipment trust certificates, due semi-annually Jan. 15, 1950-July 15, 1964. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Harriman Ripley & Co. and Lehman Brothers (jointly); The First Boston Corp.; Lee, Higginson Corp.

**Cornucopia Gold Mines, Spokane, Wash.**

Common stockholders of record June 30 will be given the right to subscribe for an aggregate of 191,500 additional shares (par 5¢) in a 1-for-5 ration at approximately 27½ cents per share. Rights will expire Sept. 13 and are exercisable at office of Old National Bank of Spokane.

**Iowa Power & Light Co.**

May 12 reported company may be in the market this year with \$7,500,000 first mortgage bonds and \$3,000,000 common stock, the latter to be sold to United Light & Rys. Co. (parent). Bidders for bonds may include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co., and Union Securities Corp. (jointly); The First Boston Corp.; Glore, Forgan & Co., and A. G. Becker & Co. (jointly); Harriman Ripley & Co.

**Iowa Southern Utilities Co.**

Aug. 9 stockholders will vote on creating an issue of \$3,000,000 cumulative preferred stock and increasing the authorized common from 360,000 shares to 560,000. Company plans to sell as much of the preferred issue as "can be marketed on advantageous terms."

**Kansas City Southern Ry. (7/20)**

The company will receive bids July 20 for the purchase of \$3,990,000 of equipment trust certificates. Bidders are to submit alternative proposals covering certificates maturing half yearly over a 12-year period and certificates maturing over a 15-year period. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. and Lehman Brothers; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

**Maracaibo Oil Exploration Corp.**

The corporation is offering stockholders the right to buy one share of the company's stock for each eight shares held. The stock is priced at \$5 a share. The offering is not being underwritten, but Alfred J. Williams, President, has agreed to exercise rights to buy 1,487 shares and his wife 651 shares, to which their holdings entitled them. Mr. and Mrs. Williams will buy 17,862 more shares if other stockholders don't buy this much. The total amount of new stock up for subscription is 49,500 shares. The offer is being made to stockholders of record July 13. Rights will expire Aug. 9. Funds raised by the stock sale will be used to develop properties now owned by the company and to buy new properties.

**Middle South Utilities, Inc.**

June 3 reported Electric Bond & Share Co. plans sale at competitive bidding of 803,230 shares of common stock (no par) which it will receive upon dissolution of Electric Power & Light Corp. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; Dillon, Read & Co. Inc.

**Montana-Wyoming Gas Pipe Line Co.**

July 1 this company, recently organized, will be publicly financed, to build a pipe line costing \$8,000,000, to bring gas from the Worland (Wyo.) Unit Area, being developed by Pine Oil Co., into markets now being served by Montana-Dakota Utilities Co. in eastern Montana, western North Dakota and the Black Hills region of western South Dakota. Montana-Dakota Utilities Co. will lease and operate the facilities. Company proposes to sell \$6,000,000 3½% first mortgage bonds. Probable underwriters: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane.

**Northern States Power Co. of Minnesota**

June 11 reported company planning the sale at competitive bidding, possibly by early August, of \$15,000,000 in new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Glore, Forgan & Co.; Smith, Barney & Co.

**Pacific Power & Light Co.**

June 28 company contemplates the issuance by Nov. 15, next, of approximately \$7,000,000 additional first mortgage bonds to retire outstanding notes and to finance its construction program. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Glore, Forgan & Co.; Smith, Barney & Co.

**Pennsylvania Power & Light Co.**

June 29 company reports that additional financing will be undertaken to finance construction program. It is expected to take the form of an issue of 75,000 preferred shares. Traditional underwriters: Drexel & Co. and The First Boston Corp.

**Union Gas System, Inc.**

Company is offering preferred stockholders the right to buy 2,000 preferred shares at \$100 a share in ratio of two new shares for each five shares held and 7,000 common shares at \$11 per share in ratio of one common for each share of preferred owned. The offer expires July 5. Stock not purchased by preferred holders will be underwritten by an investment group (probably Beecroft Cole & Co., Topeka, Kan.), and offered to the public. The price of the public offering will be \$102 a share for preferred and \$11.25 a share for common.

**Upper Peninsula Power Co.**

June 16 Middle West Corp. and Consolidated Electric & Gas Co. applied to the SEC for an exemption from competitive bidding in connection with the proposed sale of their common stock holdings in the company consisting of 34,000 shares (17%) and 120,000 shares (60%), respectively. In their original application for authorization to sell the stock, filed last September, the companies proposed to sell the stock at competitive bidding. The SEC has scheduled a hearing for July 6 upon the proposed sale of this stock and the request for exemption from competitive bidding.

**Wabash RR. (7/13)**

Bids for the purchase of \$2,925,000 equipment trust certificates, series B, due in 15 annual instalments from March 1, 1950-1964, will be received up to noon (EDT) July 13 at company's office, 44 Wall Street, New York. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly).

**Wheeling & Lake Erie Ry.**

April 8 reported company possibly may be in the market this summer with a new issue of bonds to retire \$6,870,000 first consolidated mortgage 4% bonds due Sept. 1. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co.; Salomon Bros. & Hutzler; Shields & Co. and Harris Hall & Co. Inc. (jointly).

## Britain's Crisis

(Continued from first page)

lem with which the sterling area has been faced is in its balance of trade and payments with the dollar area. This has been well demonstrated by the critical effect of the dollar shortage upon our sterling economy over the last few years. The decline in demand from the dollar area for sterling area goods naturally brings with it important consequences.

**The Change in Climate**

As has already been pointed out on more than one occasion, this change in the financial and commercial climate has meant that the shortage of dollars in the sterling area has become even more marked. As the House is aware from the April and May figures of overseas trade, there has been a considerable falling off in our sales to the United States and this has reduced our dollar earnings. This decline has been even more marked in the case of other parts of the sterling area, particularly those selling primary commodities to the United States where both quantities and prices have moved sharply downwards. It is good to know that our sales to Canada were well maintained in the month of May and that in that month they were very nearly an all-time record. We hope that these exports will be increased still further, especially as a result of action taken by industry and by the government following the visit of the President of the Board of Trade to Canada. We are also

hopeful that our exports to the United States will resume their upward tendency. It cannot be emphasized too often that this is by far the most urgent and important task of all those concerned with exports. Success in that task does of course also depend on the willingness of the United States and Canada to accept our exports and to continue to purchase the raw materials which the sterling area can supply.

As a result of the decline in demand that I have mentioned our dollar gap has widened again and a new and unfavorable position has developed. While awaiting the figures for the second quarter of 1949 to make its usual quarterly announcement, the government in the course of its normal review of the situation has already taken certain preliminary steps to deal with this situation.

**The Dollar Deficits**

The figures of our dollar deficit before taking account of European Recovery Plan assistance, of the Canadian credit or of drawings on the International Monetary Fund were in the four quarters of 1948—£147,000,000, £107,000,000, £76,000,000 and £93,000,000. In the first quarter of 1949 the corresponding figure was £82,000,000.

The Economic Survey gave an estimate of £195,000,000 for the first half of 1949 which would have allowed for a dollar deficit of £113,000,000 for the second

quarter as expenditure was expected to increase temporarily in line with our ERP program. In the event, however, the dollar deficit in the three months to June 30 has risen to £157,000,000.

There were no drawings during the quarter from the International Monetary Fund, but after taking account of £85,000,000 for ERP reimbursement and £7,000,000 from the Canadian credit, the reserves of the sterling area fell from £471,000,000 as at Mar. 31 last to £406,00,000 at June 30.

There is a sum of about £20,000,000 owing to us under ERP for goods for which we have already paid. In addition, part of the ERP allocation made to us in respect of the first 15 months of ERP Aid is designed to cover supplies which will not come forward or be paid for until a later date.

Though this fall in our reserves is a serious development, yet any comparison with the events of July and August 1947 would be entirely misleading. In 1947 though our own recovery was under way we were still in the middle of the process of reconversion and re-deployment which had itself been checked by the full crisis in February of that year.

**Position Strengthened**

In Western Europe as a whole the economic recovery had made little headway and the political situation was marked by weakness and uncertainty. Today as a result of the conclusion of the Brussels Pact, the establishment of the OEEC, and the signature of the Atlantic Pact, our own position and that of the other countries concerned have been immeasurably strengthened. We have behind us in the United Kingdom

two years of expenditure on capital goods on an unprecedented scale, and of uninterrupted economic progress. We have taken a variety of measures to deal with the inflationary situation with which in 1947 we were threatened. Our production is at a record level in the whole of our history and our exports are as high as they have ever been and half as high again as in mid-1947. We have practically reached a state of overall balance in our overseas trade.

All this has been made possible by the great efforts of our own people and by the generous help of the United States and Canada especially through the ERP which is so large a factor in the progress that is being made and will I hope enable us to expand European trade in the way that I explained to the House on Monday. Productive power is the foundation of a country's economic strength and ours has grown to such an extent in the past two years as to give us confidence that we can deal effectively with the present unfavorable turn in our affairs.

But a drain upon our reserves at the present rate calls for immediate corrective action as well as for longer term and more fundamental measures. His Majesty's Government therefore acted at once in pursuance of what must remain the major objective of our financial policy, the safeguarding of the reserves of the sterling area.

**Standstill Arrangement**

Before the middle of June we had much to our regret been compelled by events to give instructions to all our purchasing departments that they were to postpone

new dollar purchases to the maximum extent practicable. That standstill arrangement will be continued for at least three months and until after the discussions to which I am about to refer.

Existing contracts and commitments will remain in force but specific authority will be required for any new dollar purchases and will only be given where a clear case of urgent national interest is established.

Dollar expenditure other than on imports will only be permitted where essential, and then at a reduced rate.

Unless the sterling area succeeds in restoring the volume of its sales to the dollar area these restrictions upon dollar expenditure will have to be continued.

As soon as the distribution of ERP Aid for the coming year has taken place and the new Intra-European Payments Scheme has come into operation we shall get out a new import program in the light of the circumstances which then exist. We hope to have such a program completed in September next.

Before the discussions to which I will refer in a moment we do not intend to make any immediate adjustments in the amount of dollar goods released for consumption; but as soon as they are over we shall have to reconsider the situation in the light of any decisions reached and it may then become necessary to reduce consumption of certain selected food-stuffs which are primarily drawn from the dollar area and of certain raw materials.

I must make it clear that just as it took some time for the position which I have outlined to declare

itself, so this standstill will have little immediate effect in reducing the drain on our reserves.

Unless contracts already entered into were to be broken and the flow of imports for which firm arrangements have already been made was to be stopped there could be no large degree of relief from the present measures until towards the end of the third quarter. But a standstill on dollar expenditure, though absolutely essential, is no solution for our difficulties.

#### The Need for Long-Term Policies

The effect upon our trade relations with the dollar area of the change from an expanding to a contracting volume of world trade demonstrates the need for positive long-term policies.

In the meanwhile the government will press on with every practicable method of increasing our export trade, above all, the sale of goods and services for dollars. And for this it is fundamental that industry itself must quickly achieve a reduction in costs and prices by improving productivity and give preference wherever possible to exports to dollar markets.

Any inability to hold our own in world markets must deprive us of essential supplies and our standards of life will suffer.

This creates the imperative necessity for new directives to be given to all those in industry who are concerned with costing and securing contracts that they must increase dollar exports. We must get our export prices down to a point which enables us to improve our position in these markets and the rather easy methods resulting from the unlimited demand of the last 10 years must go.

The Government and the nation are pledged to a policy of maintaining full employment and protecting our present standard of living. To that end our efforts will be directed, but no democratic government can do this alone. If a nation is to achieve these generally accepted aims there must be complete cooperation. While we have no desire to see wages cut, we must and can cut down costs, and this we can do if we increase our efficiency of production.

#### Costs Must Be Cut

There should therefore be through the government services and every other public service, and throughout all industry, a resolute aim to achieve the utmost efficiency. In addition we must avoid waste in material and in every other way so as to get the best possible results from what we import.

Above all, it is quite certain that our existing policy on personal incomes, costs, and prices will have to be vigorously pursued. I must warn the House and the country that any attempt at this stage to force up personal incomes can only have the most adverse effect upon our situation since it will raise prices and thereby make it even more difficult for us to earn dollars or other hard currencies with our exports. This in its turn must lead to a diminution of general standard of living. If our money is to buy us less in goods, an increase in money earnings is of no value. It is of crucial importance that in meeting the present situation we should not aggravate it either by demands for increases of personal incomes or by delays and stoppage in our industry which increase costs and reduce our dollar earnings.

This continuation and intensification of the policies we have been pursuing, though vitally important, will not in itself be enough to remedy our situation. The problem of the relationship between the sterling and the dollar world is not one to which the United Kingdom alone can find a remedy. It is a problem in which

our friends and partners in the United States and the Commonwealth are especially involved.

Just as we have in this postwar period concerted together short-term economic solutions to our difficulties and together laid the basis for our long-term political association, so now we must seek together a long-term remedy for the stubborn problems of the balance of trade between the Western Hemisphere and the rest of the world, of which the Sterling Area forms so important a part.

As soon therefore as the facts of this greater stringency of dollars became evident with its effect upon the whole of the Sterling Area we invited commonwealth finance ministers to attend a meeting in London. This meeting will begin on July 15 and its purpose is to discuss the situation as it now exists and to devise mutual cooperative measures to deal with it.

#### Secretary Snyder's Visit

We are taking the opportunity of the visit of Mr. Snyder, the Secretary of the United States Treasury, who will be visiting London this week to initiate discussions with the U. S. Government on the whole matter: Mr. Abbott, the Canadian Minister of Finance, will take part in these talks as well as in those of the Commonwealth Finance Ministers.

Arrangements have thus been made for prompt discussion of the whole position at a high level. The House will realize that until these talks—which will undoubtedly take some weeks—have been concluded, it will not be possible for the government to formulate and lay before them the full policy which we intend to pursue in association, we hope, with our American friends and with the other members of the Commonwealth.

In the meantime we shall in the course of these consultations and in concert with others take whatever further steps may be necessary to deal with the immediate situation in the sterling area. I would warn the House and the country that a thorough-going solution of this sterling-dollar problem will take some time and just as in dealing with every

other great national problem following the upheaval caused by two world wars, we shall need, while exercising patience, to be prepared to take resolute action.

The United Kingdom carries a great burden of responsibility in this matter not only as the central country of the sterling area, but also because it is so large a contributor to world trade. We have indeed fully recognized this responsibility in the assistance which we have provided since the war to stimulate world trade and help forward world recovery. As the House is aware, we have devoted over £900,000,000 to this cause.

We are convinced that the present circumstances offer a real opportunity for a long-term solution of the difficulties between the dollar area and the rest of the world. Our recovery and that of Europe has, with American and Canadian Government help, which cannot be expected to continue indefinitely, gone far enough to enable us now to look for a way out of these difficulties. If we are to have in the future the convertibility of currencies and the multilateral form of trade which we have sought ever since the end of the war and are now seeking, we and others must begin to build the permanent policies that will make these desirable objectives possible of attainment.

It is therefore in a spirit of constructive determination that we approach a solution of our present difficulties, and if we must pass through a further period of restraint and restriction in order to bring about a more permanent solution of our problems, I am confident that in so doing we can rely upon the help and support of all our people, thus safeguarding that basic policy of full employment to which we in common with all other countries in the world are so deeply pledged and at the same time preserving the principle of "fair shares" to which our nation is committed.

In answer to a question in the House of Commons, the Chancellor stated: "His Majesty's Government have not the slightest intention of devaluing the pound."

## Canadian Business Outlook Reported Good

Mid-year survey by the "Financial Post" of Toronto finds conditions still buoyant with favorable outlook for balance of year.

A mid-year industry-by-industry survey of the "Financial Post" of Toronto, Ont., finds employment and over-all industrial production figures were still at high levels. Steel was in a particularly strong position. Weakening of base metal prices in U. S. was having little if any effect on Canadian

production schedules, the survey reports. Consumers still had plenty of money to pour into retail cash registers. Only soft spots showing were in textiles, wood pulp and fine papers.

Here's a point-by-point digest of the "Post's" survey:

**Labor:** Total income 11% over last year for first quarter. Employment index in nine key industries a shade below 1% higher.

**Merchandising:** Retail sales still climbing; over-all physical volume of sales expected to be higher than last year's.

**Construction:** Second quarter over-all total likely down about 20% from last year; housing demand still strong; key materials in better supply.

**Steel:** Producers booked solid through 1949; could sell even more if they could produce. Production up 66,000 tons in first four months.

**Gold:** Output back up to 1942 level, nearing record 1941 production. But exploration for new mines at low ebb.

**Base Metals:** Production volume likely to remain high despite

price slashing in U. S. Profits off sharply, but rebound in U. S. prices thought likely toward year's end.

**Oil Production:** Western Canada still opening up, but output likely to hold at present levels in view of saturation of western market.

**Oil Refining:** Gasoline sales up about 20% in first five months; fuel oil sales on par with last year, expanded sales anticipated.

**Carloadings:** Up to June 4 carloadings down 3.3% from 1948, but up 0.5% over 1947. Improvement over 1948 levels in grain, fresh vegetables, building products, gasoline and oils, autos, lumber.

**Autos:** Last week's production greatest in history. January-April sales figures of all vehicles 17% over last year. May and June likely to show greater gains.

**Stock Markets:** Majority of investors still holding sidelines awaiting upturn they feel cannot materialize till postwar business adjustment levels off.

**Agriculture:** Drought in Ontario light rains in some parts of Saskatchewan and Alberta, some parts of Quebec, mostly rule out

full yields in those areas. N. B., S. S. tree fruit prospects good except for pears.

**Textiles:** Canadian cotton and rayon producers faced with keener competition in lower-priced goods. Production likely slowing down. Demand for woolen and worsteds slowing.

**Pulp & Paper:** Newsprint sales higher every month in 1949 than for same 1948 months, over-all shipments up 6.4% over last year. Wood pulp, fine paper sales down.

## Our Reporter's Report

The shift in the Administration's monetary policy back to the path of more or less complete ease, took the high-grade investment market off its "dead-center" position and brought some rather nimble-footer revision in the ideas of portfolio managers, judging from the general market's response.

In the wake of the announcement some issues which, momentarily, looked as though they might have labored around a bit before hanging out the "all sold" sign, were gobbled up with unexpected zest. And others, on which sponsoring syndicates had called it a day and dissolved their agreements, came back smartly.

Naturally the Treasury market showed the way and even though the Reserve Board's formal announcement made much ado of its intention of directing open market policy in a manner to assure liberal and cheap credit to business and industry, it must be assumed that Washington authorities doubtless had a weather-eye on the fact that there is considerable in the way of "deficit financing" ahead.

Certainly a robust and active market for Governments won't do any harm in that direction, while the difference it will make in the cost of borrowing to corporations and others can hardly serve to spur the call for loans unless there is assurance that the borrower can look forward to early change in the present none-too-favorable business picture.

Meanwhile, taking top-grade utilities as a key, the best name bonds have come up about a full point in the averages to cut the yields from 2.70-2.75% to 2.65-2.70%.

#### Standby Deals Lead

Going into the midst of the vacation period, the underwriting industry doubtless is not hoping for too much in the way of new corporate offerings during the current month.

Aside from yesterday's competitive sale of \$10,000,000 of Delaware Power & Light Co.'s first mortgage bonds, due 1977, this week will be marked chiefly for several of the offerings on "rights" which are due, with bankers taking standby positions.

Largest of these due out yesterday involved 283,333 shares of common stock of Dayton Power & Light Co. on which "rights" to shareholders will expire on July 26.

Another covers 25,240 shares of common of Central Ohio Light & Power Co. on which books open

#### Liquidation Notice

The Plainfield National Bank of Moosup, located at Moosup, in the State of Connecticut, is closing its affairs. All creditors of the association are therefore hereby notified to present claims for payment to the undersigned at said bank.

BENJAMIN F. DAWSON,

Liquidating Agent

Dated June 24, 1949

tomorrow, with the "rights" slated to expire on July 20.

#### Standard Oil Co. (N. J.)

One of the largest industrial underakings in recent years went into registration with the Securities and Exchange Commission late last week when Standard Oil Co. (N. J.) filed for \$150,000,000 of new 25-year 2 3/4% debentures.

This was in line with remarks of officials at the annual stockholders meeting several weeks ago when it was pointed out that the big company probably would seek new capital to supplement heavy reinvestment of its current earnings in financing expansion plans.

The date of public offering currently is set for July 14.

#### Two More Issues In Sight

Two new moderate-sized utility operations are shaping up. Illinois Power Co. has registered \$15,000,000 of new bonds to finance construction projects with predictions that the issue may be up for bids around the month-end.

Meanwhile Iowa Southern Utilities Co. shareholders will vote at a special meeting early next month on a proposal to create and market \$3,000,000 of new cumulative preferred stock and increase authorized common to 560,000 shares from 360,000 shares.

The company would sell as much preferred as "can be marketed advantageously" and it may be made convertible if directors feel it would make the issue more attractive.

The balance of unissued common could be sold from time to time as warranted, it was stated.

#### DIVIDEND NOTICES

### CANCO AMERICAN CAN COMPANY

#### COMMON STOCK

On June 28, 1949 a quarterly dividend of seventy-five cents per share was declared on the Common Stock of this Company, payable August 15, 1949 to stockholders of record at the close of business July 21, 1949. Transfer books will remain open. Checks will be mailed. EDMUND HOFFMAN, Secretary.

#### THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., June 28, 1949. The Board of Directors has this day declared a dividend of One Dollar and Fifty Cents (\$1.50) per share, being Dividend No. 146, on the Common Capital Stock of this Company, payable September 1, 1949, to holders of said Common Capital Stock registered on the books of the Company at the close of business July 29, 1949. Dividend checks will be mailed to holders of Common Capital Stock who have filed suitable orders therefor at this office. D. C. WILSON, Assistant Treasurer, 120 Broadway, New York 5, N. Y.

### COMBUSTION ENGINEERING-SUPERHEATER, INC.

#### Dividend No. 180

A quarterly dividend of fifty cents (50c) per share on all the outstanding stock of the Company has been declared payable July 30, 1949 to stockholders of record at the close of business July 20, 1949.

OTTO W. STRAUSS, Treasurer.

### JOHN MORRELL & CO.

#### DIVIDEND NO. 80

A dividend of Twelve and One-Half Cents (\$0.125) per share on the capital stock of John Morrell & Co. will be paid July 30, 1949, to stockholders of record July 8, 1949, as shown on the books of the Company. Ottumwa, Iowa. George A. Morrell, Vice Pres. & Treas.

### YALE

#### THE YALE & TOWNE MFG. CO.

On June 30, 1949, a dividend No. 242 of twenty-five cents (25c) per share was declared by the Board of Directors out of past earnings, payable October 1, 1949, to stockholders of record at the close of business September 9, 1949.

F. DUNNING

Executive Vice-President and Secretary



## Washington . . . And You

Behind-the-Scene Interpretations  
from the Nation's Capital

WASHINGTON, D. C.—There is no point in drooling over the prospect of doing business under lower than wartime excise taxes, because they just aren't going to be lowered this year.

Off hand it looks exciting that the Senate Finance Committee has tacked on to a minor bill, an amendment which lowers several of the wartime excises, by some aggregate total of around \$700 million. It just looks like there was a chance the Senate might vote on this proposition and pass it.

If the Senate were to have a vote on lowering the high wartime excise tax rates, the Senate would vote a majority for this proposition. However, there are more strikes against this deal than against a high school rookie coming to bat in the major leagues.

For one thing, the Administration leadership just won't let this proposition come to a vote. This is the same kind of veto which is preventing the vote on the 5 to 10% economy cut. It would take a lot of strength to put through a motion to make it the order of business for consideration.

Supposing the thing actually did come to a vote, and passed the Senate. Then it would go to conference with the House, since it was tacked on to a minor piece of legislation adopted by the House. However, the conferees who would be selected for the House would be stacked against the excise tax cut, and it wouldn't go.

Let's suppose that the proposal even hurdled all these obstacles and actually got by both Houses and was sent to Mr. Truman. The bill on to which the proposed tax cut is tacked, is a minor bill to give the Commissioner of Internal Revenue subpoena power in certain kinds of proceedings. The failure of this unimportant bill would not cause one more brick to fall out of the rickety White House. The President would veto it.

Actually all the Republicans are doing is to take one more step to drive home the point, with an eye on the 1950 elections, that they want to reduce excise taxes but the nasty old White House won't let them. This is just another way of telling the world where the GOP stands, and bringing home to the country that it is the Democratic majority which is keeping these high taxes.

With the final approval by the President of the public housing program, there isn't an obstacle in the world to prevent the public housing boys from going ahead on a great feast of bureaucratic activity. The bill is so drafted that by and large public housing needs no further appropriations, except to service the bonds of the public housing authorities and make good on the contracts for slum clearance and other features of the bill.

Thus, it is not as with ECA or almost anything else, a question of whether Congress will follow through with appropriations for the full amount authorized. Congress by passing this bill has pledged the "full faith and credit" of the United States to the manifold undertakings of government housing. Congress cannot renege, without taking responsibility for repudiating "solemn obligations" which it has authorized.

Where the public housers are interested in appropriations, however, is for purely administrative expenses. These must in the na-

ture of things be high, for PHA has to undertake the entire job of approving the designs, material, specifications, site, and legal work for each and every housing project. The entire undertaking is the responsibility of PHA. The local "housing authorities" are substantively the dummy fronts through which PHA works, in order to sustain the political and legal fiction of local initiative and responsibility.

Even if Congress is stingy and frustrates the objective of putting a lot of the long-haired men and short-haired women on the payroll who have been lobbying, lo, all these years for public housing, the public housing program won't languish. The difference between "ample" and "inadequate" administrative appropriations is the difference between having a committee waste a week on such details as the color of door hinges, or just buying according to standard specifications.

There is one appropriation, however, which is of keen interest to the public housers. That is what is euphemistically called the "research section." The Housing and Home Finance Agency under this section is given the broadest power to conduct not only "technical" research but research in the "economics of housing," and to disseminate its findings throughout the land in every way that would do the public housing program the most good. This goes even to repealing a statutory inhibition against government propagandizing, an inhibition which has seldom cramped the style of bureaucracy.

It is this section which is expected to pave the way for the inevitable next public housing authorization. This section makes the public housing lobby both kosher and official. It will build up the fires back in the home constituencies in favor of the next addition to the volume of authorized construction.

Public housers have smartly avoided any discussion over how much they think the program will amount to ultimately. When any senator has attempted to corner them and get them to admit that this is just the starter, they have managed pretty well to wriggle away. They have had one central purpose, to get the thing on the books. They know that after that, it will be simple to add a dozen or so billion bucks every couple of years.

Incidentally, the show put on by the opponents was remarkable. Hopelessly outnumbered only several weeks ago, they came within three votes of beating the entire proposition. The principal vote was 209 against to 205 for, on the key question of knocking out the public housing features. Three votes changed, would have collapsed the whole thing. After this key section stayed in the bill, a lot of boys in the House rose above principle to switch for the bill and thus take a little heat of the lefties away from them, for by that time it was no use opposing further.

It is no joke but the Public Roads Administration is being re-

## BUSINESS BUZZ



"This check is an outrage!—I wouldn't pay it if I were you!"

organized formally both into the Department of Commerce and the new General Services Administration, but no one knows which.

A couple of weeks ago the President sent down to Congress several proposed government reorganizations under the new reorganization act. One of these schemes provides that the Public Roads Administration, once a part of the Department of Agriculture and now a part of the Federal Works Agency, shall be transferred to the Department of Commerce, for some mysterious reason. The dope around town is that when the President was contemplating what to do with the Roads Administration he looked around at all the government agencies and the Commerce Department was the only place where he could think to put it.

Meanwhile, however, the Congress passed the bill creating a General Services Administration, the great and wonderful overall "housekeeping" agency, dreamed up by the Hoover Commission. The bill creating the GSA, however, put into this agency the Roads Administration. The Bureau presumably will go in its entirety to both places at the same time.

Mr. Truman delightedly signed the GSA bill. So lawyers are now looking all through the GSA legislation to find a comma, an "and" or a "but," by which they can determine where the Roads Administration, which again as in long his-

tory, will be called the "Bureau of Public Roads," shall be put.

Meanwhile the Public Works Administration, which was created in the '30s under a previous reorganization, is about to be dismantled and its furniture, fittings, and officials tossed around into assorted other agencies just as the Administration backs \$40 million for planning public works.

There is reported to be almost a 50-50 chance that if the Reciprocal Trade Agreements Act is extended the "peril point" provision of the Republican 80th Congress act will stick. The trade agreements act has expired, and some scores of tired negotiators from nearly three dozen countries are waiting for Congress to extend the act in some form, as they play around in some obscure part of France.

There is little chance that the trade agreements act extension can be considered on the Senate floor before near the end of this month, and at least until after the Atlantic Pact is out of the way. Time is playing into the hands of the opponents.

Time brought the fruition of the Anglo-Argentine trade agreement. The State Department understands the British desperation, but cannot defend it. Time will bring more dangerous threats of foreign competition, simultaneously with more pronounced speculation over foreign currency devaluation.

So it now looks almost like a

loss-up for the peril points. And if the Administration won't let the House take the peril points, time will be on the side of the opponents again. If the House won't take it, "so what?" the opponents will say. "Let's go home and forget about it till next year."

That the Administration does NOT want.

Washington, a line-at-a-time:

It's now almost no dice for a compromise between Federal and state claims for jurisdiction over off-shore oil, because it's almost impossible to find a basis for a compromise.

There is a sustained, widespread belief that the Four-Power conference following the lifting of the Berlin blockade, drove home to the Reds that they are losing the cold war.

A year ago inspired sources said that when Russia saw she was losing the cold war, then was the danger of a fight. Now one can find few who really expect the Reds to move militarily.

President Truman recommended "consideration" of the Public Roads Administration study recommending \$425 million annually for 10 years of additional appropriations for improving key roads.

The scheme to finance federally the improvement of 2,300,000 miles of farmers' dirt roads, is dead for 1949.

Even with as much strike time lost for the next six months as has been lost so far in '49, the auto makers hope to turn out between 5.2 and 5.8 million cars and trucks in all of '49.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

### Peters, Writer Adds

(Special to THE FINANCIAL CHRONICLE)  
DENVER, COLO.—John F. Rice has been added to the staff of Peters, Writer & Christensen, Inc., U. S. National Bank Building. In the past he was with Oscar F. Kraft & Co. and Bosworth, Chantute, Loughridge & Co.

### Two With Kaiser & Co.

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, CALIF.—Ray J. Folks, Jr., and Robert B. Griesche have become affiliated with Kaiser & Co., Russ Building, members of the San Francisco Stock Exchange.

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Firm Trading Markets

## FOREIGN SECURITIES

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